Responsible Global Equity Income

Stewardship Report

For the Year Ended March 2021

Baillie Gifford | *Investment managers*

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Risk Factors

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All information is sourced from Baillie Gifford & Co and is current unless otherwise stated.

The images used in this document are for illustrative purposes only.

Highlights of the Year

Backing leaders: we increased our investment in companies leading their industries on sustainability issues: Novo-Nordisk, Schneider Electric, Nestlé

Support: we helped our holdings take the long-term view during the Covid pandemic; page 13

Engagement: we pressed management of 24 of our holdings to accelerate changes; pages 8, 10 and 13

Improvement: analysis shows that our portfolio's impact on the climate continues to fall, with portfolio CO_2 emissions falling 17%; page 10

Raising the bar: we upgraded our evaluation process and identified next steps for research and engagement; page 4

Voting: we opposed 37 AGM resolutions which fell short of our standards; page 18

High expectations: sold out of 2 companies which fell short of expected standards; page 6–7

Introduction

Our Responsible Global Equity Income Strategy aims to deliver an income stream that our clients can rely on for the long term, as well as real growth in both income and capital.

This focus on the long term puts us in a unique position to engage with, and influence companies on, sustainability issues. Our five-to-seven-year average holding period means we enjoy one-to-one, year-over-year meetings, which help us build a degree of trust and rapport with senior management.

These relationships are important for sustainability engagement as our questions, encouragement and, in some cases, criticism come from a place of mutual respect and understanding. While we have always engaged with our holdings on environmental, social and governance (ESG) matters, particularly those related to governance, last year we stepped up our engagement on environmental and social responsibility. With our clients' encouragement, we've made sure to give proper weight to these topics, often dividing the conversation in a 50:50 split between financial and sustainability topics.

This Stewardship Report highlights some of these actions in the year to March 2021, a challenging year for income investors.

After a brief reminder of our approach, we describe how our process has evolved and look back at the last 12 months. We then take a deep dive into two of our focus areas: responsible consumption and climate change, before sitting down with the managers to discuss engagement in a crisis. In the final part of this report, we give more details on our voting activity and examples of cases where our ESG analyst has exercised his right of veto, a unique feature of the Responsible Global Equity Income Fund.

Responsible Income Investing

Many clients seek a dependable income stream as well as real growth in income and capital. They also expect that these investment objectives are met with a process that takes account of the needs of a broader range of stakeholders than just the shareholders. Some clients have additional requirements like ethical red-lines or a higher bar on ESG considerations. Baillie Gifford's Responsible Global Equity Income Fund aims to meet the exacting standards of such clients who have a particular concern for the sustainability of their investments.

We are confident that we can meet the needs of these clients for three reasons:

Finding sustainable growth

— We have a robust process for identifying companies that can deliver both sustainable growth and dependable dividends, reflected in the long and successful track record of our Global Income Growth Strategy. Sustainability considerations are fully integrated into the stock-picking process, with the dedicated input of our ESG Team. This portfolio of growth businesses is the key building block of our Responsible Global Equity Income Fund.

Ensuring high standards

— Our ESG analyst, Gavin Grant, has 30 years of experience in the field. He undertakes an independent sustainability assessment of every potential new holding and has the right to veto purchases which are inconsistent with our responsible approach. To give our clients additional comfort, we apply two types of exclusions: we exclude companies which sell certain harmful products altogether; and we apply a thoughtful process to ensure that all holdings reflect the principles of good business conduct embedded in the UN Global Compact.

Responsible ownership

— We engage in a constructive, targeted way, to help address major challenges and ensure our holdings thrive over the long term.

Baillie Gifford's separate *Philosophy and Process* document provides more details on our investment approach.

Process Evolution

Over the last few years we have been continuing to develop our framework for understanding the ESG risks and opportunities at potential and existing holdings. While there is no shortage of third-party scoring methodologies available, we have found that many of them are both backwards-looking and static – whereas our focus is where a company is *going*. How ambitious is a company's management and board to address an ESG challenge, and will they deliver? During the year we therefore evolved our framework to make it more forward-looking, and address three key aspects of a company:

The purpose of our sustainability assessment is to look forwards and judge:

— the **impact**, positive or negative, of a company's products and operations on society

— its **ambition** to either address or further that impact, and whether this is best-in-class

— the level of **trust** we should have in the management team and the board

We believe that thinking critically about these issues allows us to differentiate between those companies that are leading their industries and those dragging their feet in the face of major challenges. This sustainability assessment also identifies our key engagement priorities for each company.

The strategy benefits from the insights of Gavin Grant, a senior analyst in the well-resourced ESG Team.

A year in review[1]

In 2020, nine of our top ten holdings increased their dividends, helping us deliver a resilient income stream.

Throughout the year we engaged with management at **24 companies** to encourage an accelerated rate of progress on an issue related to either the long-term sustainability of the business, or its governance. Some of those engagements are described here:

[1]Period covered: March 2020 to March 2021.

Key: + means the holding was added to in the period; – means the holding was reduced during the period.

Plastics and Packaging Engagement Update

By Diane Esson and James Dow

We include consumer staples companies in our Responsible strategy because they deliver steady growth and resilient dividends while providing better access to basic goods to hundreds of millions of people around the world. Through technological improvements and operational efficiencies gained across many decades, these companies have improved the affordability and reach of household cleaning and personal hygiene products, food and beverages, infant formula and baby care products, and helped people around the world attain higher standards of living. These social benefits, important as they are for global development, do not come without a cost. We are addressing these companies' packaging waste in our engagement, in an effort to reduce their impact on the environment.

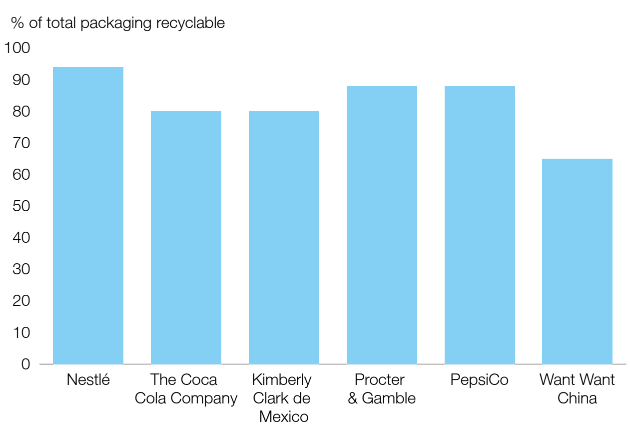
Last year we told clients that one of our focus areas in 2020 would be plastics and packaging engagement with our consumer staples holdings. We strongly believe that moving thoughtfully but quickly to more circular packaging solutions is not only the responsible thing to do but is important for long-term growth and dividend dependability. Media attention on the dangers of linear consumption models has led consumers and governments to increasingly demand alternatives and change. In our opinion, the short-term expense needed to meet these demands – to improve packaging design and supply chains – far outweighs the long-term reputational and regulatory risks of ignoring the environmental damage from unrecyclable, single-use packaging.

The key learnings from our packaging engagement this year are:

1. Most of our holdings are committed to using 100 per cent recyclable packaging within five to 10 years.
2. These objectives should be compatible with long-term profit growth.
3. A major challenge for future packaging circularity will be coordinating and facilitating packaging collection.

The first step for engaging on packaging sustainability this year was to map the recent progress made by our portfolio holdings. Doing so, we discovered that total packaging produced by the consumer staples holdings is around 80-90 per cent recyclable, reusable or compostable today. Conversations with company leadership highlighted promising technological developments as well, such as the biodegradable bottles that Nestlé and PepsiCo are designing in collaboration with Danimer Scientific, or the paperboard solution Coca-Cola is developing to replace plastic rings on multi-packs. However, the companies held made it equally clear that some of their largest challenges remain ahead: when they exclude shipping packaging (which is already widely recycled) or only measure plastics, their recyclability figures are noticeably lower – averaging closer to 60-70 per cent. No management team suggested this battle was yet won.

Following this understanding, we needed to gauge companies' commitment to fully recyclable packaging. To do this, we compared each company's ambitions to those of its peers and those recommended by recognised authorities. Most holdings have ambitions to achieve 100 per cent packaging recyclability by 2025 or 2030, a goal that is broadly in line with leading government and environmental activist recommendations. The Ellen MacArthur Foundation, the world's leading circular solutions charity and think tank, requires signatories to its New Plastics Economy initiative to commit to fully recyclable packaging by 2025; three holdings have already signed up, and we have requested other holdings either consider joining this initiative, or improve their disclosure.



Source: Ellen MacArthur Foundation, company data, 2020.

In the consumer goods sector, we also hold South African company AVI, which are yet to provide their data. This is an area of ongoing engagement.

With the Responsible Global Equity Income Fund having dual objectives of financial growth and sustainable income, we also needed to gain trust that a holding's sustainable packaging ambitions would not come at the expense of financial growth objectives. We have gained this trust by better understanding the sustainability investment strategies of our holdings. At Nestlé, for example, management is identifying savings from operational efficiencies to fund sustainability initiatives, and prioritising these investments over short-term margin expansion. At Procter & Gamble, proprietary recycling technologies developed by its Material Science research team are leased out to waste management companies; this income stream funds Procter & Gamble's ongoing sustainable packaging research. While making packaging more circular does come with a cost, companies are finding innovative ways to fund this expense while protecting long-term profit growth. In our discussions with management at holdings, we have therefore been strongly encouraging them to continue scaling up these investments, even if there is some near-term cost.

This year's engagement efforts reassured us that our holdings are firmly invested in making packaging fully recyclable and that they should achieve this goal within the next five, or at most 10, years. Given the scale of packaging waste at these companies today, each year they get closer to this goal will be an important victory for sustainability.

But the story doesn't end here. Listening to the companies we hold and environmental think tanks, we learned that the much wider and more challenging issue preventing a circular packaging ecosystem today is the matter of collecting and recycling used packaging. Fully recyclable packaging doesn't solve the build-up of waste if there isn't sufficient infrastructure to bring used packaging back into supply chains. The reality is that local authorities in developed markets recycle around 30-40 per cent of total waste today and less than 15 per cent of plastic packaging. The Ellen MacArthur Foundation explained to us that this issue is too large and fraught with regulation for companies to tackle alone. Therefore, we've identified collaborative collection solutions as a key area for engagement this coming year.

It is an exciting time to be engaging with companies on sustainability topics. It's at the front of everyone's mind and with notable improvements in reporting and disclosure across industries, the calibre of conversations is much higher today than it ever was in the past. Importantly, our holdings include the leaders in the consumer staples space – companies with the scale and influence to truly revolutionise how we consume goods in the future. Our engagement this year revealed the commitment some companies have to such a future and we are optimistic that this time next year we'll be able to report on leaps forward in packaging recyclability, in line with their 2025-2030 targets. We also hope to be able to report on steps taken by these companies alongside local governments to improve packaging collection. In the meantime, and to give these holdings a hand, let's all keep recycling!

Changing the Climate

By Toby Ross and Ross Mathison

2020 was an unusual year for the planet: carbon emissions fell by around 6.5 per cent, reversing the trend since the industrial revolution. People stopped commuting and going on holiday; goods hurtled around the world at a slower pace; and the steady progress of renewable energy and energy efficiency continued.

It would be comforting to believe that a corner has been turned, but many of the causes of this decline were temporary. The challenge is how to create progress on climate change that lasts?

Our approach to climate change

We believe that climate change is an increasingly tangible risk, and that meeting the goals set out in the Paris Agreement, notably limiting the overall rise of global temperatures to 1.5 degrees or less, is vitally important for society. We therefore take account of climate-related risks and opportunities when selecting the companies in which we invest.

We believe that over the long run we will be more likely to achieve our investment objectives if we:

— Encourage boards and management teams to set ambitious goals to mitigate the impact of their operations on the climate. In practice, this means defining credible targets which align with a pathway to Net Zero emissions by 2050 or earlier.

— Identify those companies for whom a transition to a less carbon-intensive economy is a genuine opportunity for growth – in other words, solutions-providers.

— Steer our portfolios away from the companies that face the largest transition risks: these are likely to be the businesses where a big tension emerges between dividends and ensuring the viability of the business.

Our main lens for considering these risks and opportunities is our Impact, Ambition and Trust framework, outlined above. We ask what each company's potential impact on the climate is; how ambitious it is to address this; and whether we can trust that these ambitions are credible. This helps us to focus our engagement on the companies where we can deliver the greatest impact and also to identify the leaders and laggards within our portfolio.

Our portfolio's emissions have declined year on year and remain significantly below the wider market's

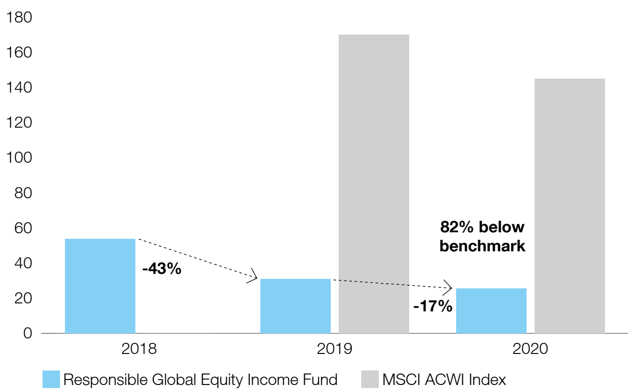
Our holdings are setting increasingly ambitious targets for addressing their own climate impact - but there is much more for us to do

We are committed to reducing our portfolio's impact on the climate over time, and will provide full TCFD reporting next year

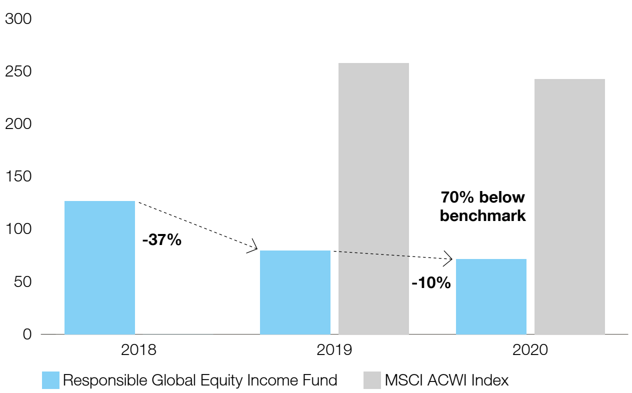
A perspective on our portfolio's impact

Each year we disclose the Scope 1 and 2 emissions of the portfolio, compared to those of its benchmark, the MSCI All Countries World (ACWI) Index. Effectively these provide an estimate of how much carbon dioxide our holdings generated in their direct operations, and compares this to the emissions of the market. It is therefore one lens on the portfolio's overall impact on the climate. The emissions financed by £1m invested in the fund are approximately 82 per cent lower than if the same money was invested in the global market. The main explanation for this continues to be our focus on capital-light, growth businesses, where we feel that growth and dividends are not in tension with each other: these businesses typically have a light impact on the environment.

Portfolio carbon footprint (tCO2/£m invested)



Portfolio carbon intensity (tCO2/£m revenues)



Source: Baillie Gifford, ISS- Ethix. February 2021.

During the year, the portfolio's emissions declined, which is encouraging – over time we would hope to see that the companies held find ways to reduce their carbon intensity. However, when we dig into the drivers of the decline, it was almost entirely driven by our decision to sell Rio Tinto (explained on p.16), which had previously been the single largest contributor to the portfolio's emissions. This is a useful reminder that the Scope 1 and 2 carbon emissions of both the portfolio and the wider market are very skewed by a small number of very carbon-intensive businesses.

The data around where the emissions impact is greatest can be useful in helping us target our engagement well. For instance, today our relatively large holding in UPS represents around 33 per cent of the portfolio's carbon emissions. The company appointed a new CEO during the year, and is in the process of re-framing its strategy, with a promise to get "better, not bigger"; we engaged with the company to ask that it revisits its climate goals as part of this process, and as this report was published UPS announced an ambition to achieve carbon neutrality by 2050. There is much more to do, but we are encouraged with the more ambitious direction of travel that new CEO Carol Tomé is setting.

However, it is important to look at the positive side of the ledger, which the raw emissions data rarely reflects: where is the potential for companies to provide a solution that helps customers reduce their own carbon intensity? This year has seen encouraging progress. For instance, Schneider Electric's products play a significant role in improving the energy efficiency of commercial buildings and factory lines; Schneider estimates that these solutions helped customers avoid 134 million tonnes of carbon dioxide emissions over the year. Or to take another example, lithium producer Albemarle has confirmed its plans to increase production six-fold over the coming years, enabling its customers to significantly increase their production of electric vehicles. In the near term, it is a relatively large contributor to the portfolio's emissions, but its long-term contribution to addressing climate change is very significant.

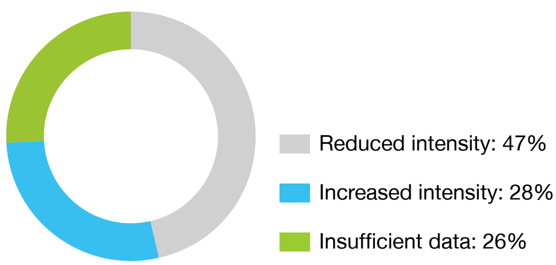
Indeed, for a number of the holdings across a range of industries, it is increasingly clear that helping their customers to reduce their emissions could be a significant contributor to growth – whether that's through Watsco replacing outdated air conditioning systems, or Kuehne + Nagel helping companies find less carbon-intensive shipping routes for their products. Over the course of our conversations with management this year, we have encouraged them to be bold in investing in such ventures, which are potentially a 'win-win'.

Ambition

Another useful question to ask is: are companies making progress in reducing their emissions? The underlying data here reflects pre-pandemic emissions, but nearly half the holdings have reduced their carbon intensity, and the median reduction for the portfolio as a whole was around 8 per cent. For holdings disclosing increased intensity, it will sometimes reflect a more detailed disclosure or a change in scope in 2020.

However, we are disappointed that several of our holdings provide inadequate disclosure of emissions and we believe that if a company is not measuring its emissions, then it is unlikely to be able to successfully reduce them. During the year we engaged with a number of laggards, and asked them to improve disclosure, both of their emissions and their longer-term strategy around climate.

What progress are our holdings making on the carbon intensity of their businesses?

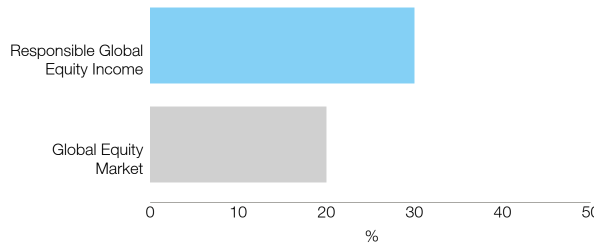


Source: Baillie Gifford, MSCI.

In the case of American regional bank Cullen/Frost, we raised this directly with the CEO and CFO. Their question to us in response was "what disclosure would you find most useful in actually helping understand how we manage these risks in the business?" Our answer was that our real aim is to understand how the company considers climate in its strategy and the nature of its ambitions here – the data is just a tool for monitoring progress towards this. As well as sharing some of the better examples of Task Force on Climate-related Financial Disclosures (TCFD) reporting that we have come across, we have also offered to share our own colleagues' experiences of producing climate reporting, both at Baillie Gifford and other organisations. We will be helping them with their inaugural climate reporting during 2021.

Perhaps the most encouraging development this year has been the growing number of our holdings that are setting out bold science-based targets to reduce the overall impact of their businesses on the climate. We estimate that over 30 per cent of the portfolio has now set ambitious targets that have been accredited by the Science-Based Target initiative (SBTi). This compares to 20 per cent of the market as a whole. In many cases these align with an ambitious 'Net Zero' pathway, in which global temperatures rise by no more than 1.5 degrees by 2050, as called for in the Paris Agreement. Based on our engagements with our holdings, we expect to report a higher number for the portfolio in the coming years.

Proportion of portfolio which has set science-based targets to reduce emissions



Source: Baillie Gifford, SBTi. January 2021.

Looking forward

We have talked above about companies' ambitions – but what should our clients expect of us?

We believe the goals set out in the Paris Agreement, and particularly that of limiting the overall rise in global temperatures to 1.5 degrees, are vitally important. The most credible pathways to deliver on this ambition require global greenhouse gas emissions to roughly halve between 2015 and 2030, which is a considerable challenge.

As we said at the start of this article, we think it's important for us to take this into account when we are investing, and protect the portfolio from the risks of climate change. It is hard to distil progress on such a complex area to a single statistic. However, as a marker of the companies we hold progress, we expect that the portfolio's emissions will decline over rolling five-year periods, on a comparable basis.

We will report this data each year in our Stewardship Report, and if the portfolio's emissions are not following the path we expect, we will explain why this is the case, and why we believe our decisions are consistent with our long-term ambition. We also intend to produce full TCFD style reporting, to put our companies' progress in a broader context. We are also seeking to identify an appropriate EU-defined Climate Transition Benchmark against which to report the portfolio's progress in reducing emissions.

Progress won't be linear, and it won't be easy for the companies to continue the impressive carbon reductions of 2020 into the future. However, we think that they are ambitious to address their footprints and help provide solutions. There is more to do, and a big role for us as investors in helping to promote that change – but there are grounds for optimism here too.

Engagement in a Pandemic

Investment specialist Seb Petit sat down with co-managers James Dow and Toby Ross, and ESG specialist Gavin Grant, to reflect on an extraordinary year.

Did the urgency of dealing with the pandemic suspend engagement for a year?

Toby Ross

Toby Ross (TR): Quite the opposite, in fact. As companies across the globe were grappling with the economic shock, the temptation for shareholders was to hold back on engagement and let companies deal with the short-term crisis. We took a very different view: this past year was absolutely the time to be engaging and supportive, to make sure the companies did not lose track of the long term.

Can you give concrete examples of engagement in the pandemic?

James Dow

James Dow (JD): Let's take the airline software company Amadeus as an example. It found itself in the eye of the storm as a large part of its revenues, which are linked to the number of air tickets sold, collapsed alongside air travel. It had to react quickly and faced very difficult choices.

We engaged with the management to encourage long-term thinking rather than rushing to cut costs and save 2020 profit margins. A dividend cut was inevitable, but holding on to its engineers and continuing to invest in R&D was, in our view, the best way to ensure a stronger competitive position coming out of the crisis and thus create long-term value.

TR: Another example is the UK insurance company Admiral, which had already announced a special dividend before the crisis hit. In a call with the management, we supported its initiative to put that cash to better use by giving customers some of their premiums back and build goodwill. Or the Swiss pharmaceutical company Roche, which developed in record time new Covid tests. With the world facing a global health emergency, we strongly encouraged them to avoid profiteering from the very strong demand for these tests.

Did some companies disappoint?

Gavin Grant

Gavin Grant (GG): Most managements were receptive to our message. Partly because we try to invest in companies with great management teams who focus, as we do, on the long term. And partly because we were supporting them to maintain that focus at a time when most analysts and investors were pushing for retreat to save short-term margins at any price.

But some companies did disappoint. Swedish industrial company Sandvik, for instance. Despite a healthy balance sheet, it opted to ask for State support to protect its operating margins. Beyond the dividend cut demanded in exchange by the State, it was a signal that management's focus was much shorter than we thought. We also felt that asking for support it did not really need was the wrong thing to do. We wrote to the board to express our disappointment and sold our shares.

TR: We also had some difficult conversations with other companies, even where we held onto our shares. For instance, British insurer Hiscox was slow and reluctant to pay out business interruption claims. We made it very clear to the company that we thought this was the wrong thing to do and pushed it to modify its approach.

It's also important to say here that we did not naively agree with the French Government's advice to suspend dividends everywhere to appease the public. Dividends are an important source of income for many investors and we expected our holdings, many of which saw earnings rise, to continue paying dividends rather than courting favours with politicians.

JD: Which, incidentally, highlights again the importance of diversification, both from a sector and geographic point of view. Having large exposure to UK or French companies last year would have had a disproportionate impact on income, as many firms' decisions in these countries were constrained by the regulator or the State.

Can you point to tangible results from specific engagements with companies over the past year?

TR: The American insurance broker AJ Gallagher is a good example. During our research work on the company in 2017, we noticed the use of tax incentives related to coal in order to lower its tax rates. This was completely outside their main business and we raised this issue with the management. It took them by surprise as we were the first shareholders to mention it.

Over the following three years, we had several meetings with the company on that topic. It was particularly helpful to bring in our senior ESG analyst (Gavin), into these conversations. As former head of engagement at Norges Bank, his credibility and experience allowed us to have meaningful conversations with the top management. This resulted in the announcement last December that it would significantly wind down its use of these vehicles.

It took time and there is a negative short-term impact in terms of margins, but we believe it is the right thing to do for the company's stakeholders.

What are your areas of focus for engagement in 2021?

GG: At a company level, we try and focus on issues which are material and where we can have the most impact. So, rather than sending a list of 30 ESG questions to tick the box 'Engagement', we determine for each company which topic to engage on to have the most impact.

Then, at a portfolio level, we select three main areas of focus for engagement each year. These areas typically affect many of our holdings. For 2021, climate change, data security and responsible consumption are the areas of focus. Note that they don't have to change every year. Climate change, for instance, has been a focus for several years.

From an engagement perspective, what lessons do you draw from the pandemic?

TR: To me, the main lesson is that engagement is even more critical at times of crisis. Why? Because, in a crisis, the instinctive reaction from most shareholders and management is to fight that crisis and 'flight' the long-term thinking.

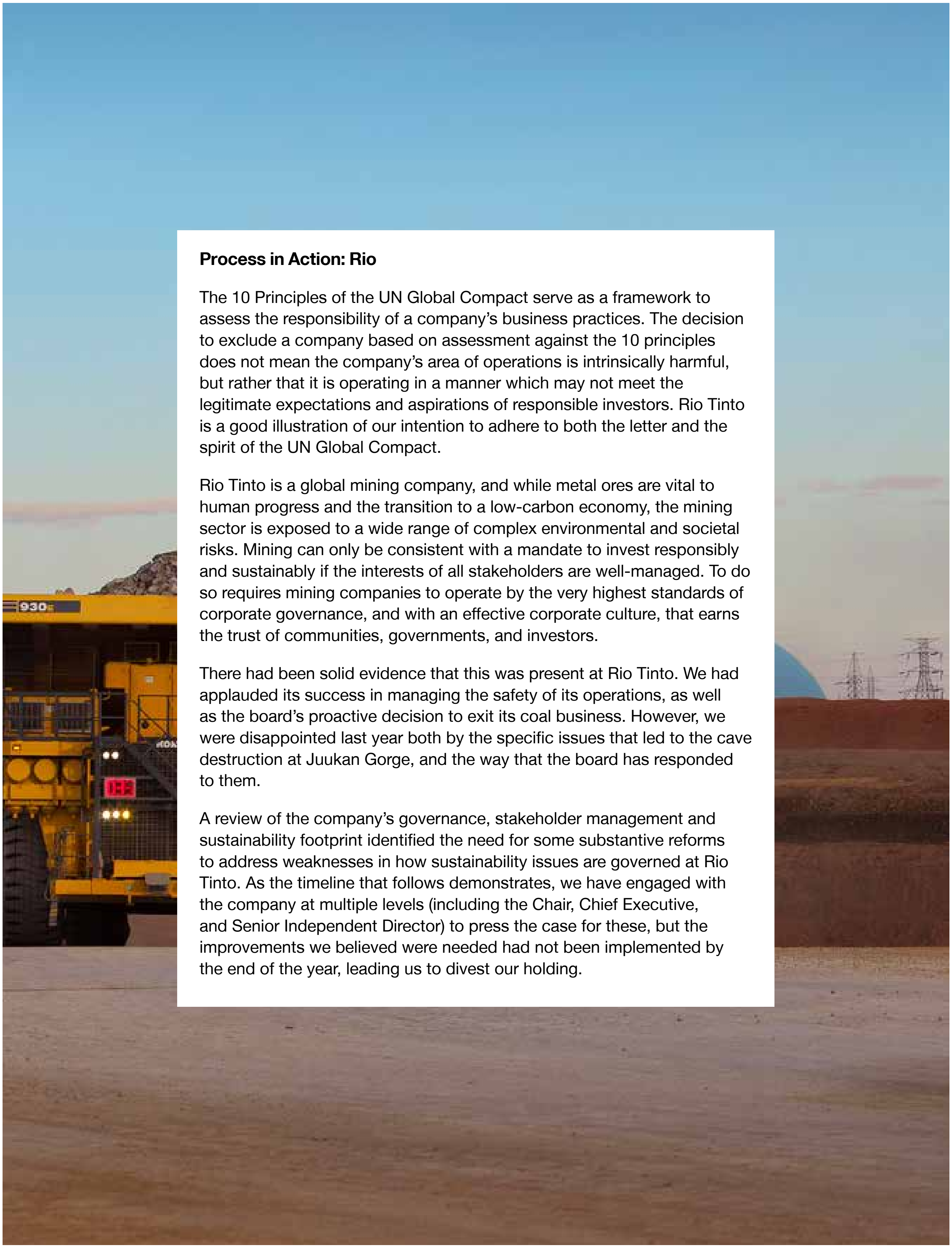
And here lies the crux of the engagement issue: it takes time to see the benefits. Time that the average investor, who typically holds shares for less than a year, doesn't have. Meaning that, in a crisis, these investors will tend to focus on 'saving the short term', and the cost of that strategy will only be apparent long after they have sold their shares. The tension between short and long-term benefits is resolved in a very different way whether you are a short-term investor or one focused on the long term.

JD: Indeed, engagement is crucial in a crisis, but you can only engage productively if you are an active and long-term investor.

Impact of Exclusions

There are six companies that are held for some of our global equity income clients, which we do not believe are suitable for the Responsible Global Equity Income Fund. These have been excluded from the portfolio either because our ESG analyst has exercised his right of veto on sustainability grounds, because they breach our product-based exclusion rules, or because we view them as potentially inconsistent with the principles of the UN Global Compact. In some cases more than one of these applies. Further details on the criteria used can be found in the Fund's *Philosophy and Process* document. Sales of Man Wah and Rio Tinto were made during the course of 2020, on the basis of our research and engagements with the company.

Company	**Right of veto**	**Rule-based**	**Principle-based**	**Criteria**
British American Tobacco		●		Tobacco involvement
China Mobile	●		●	UN Global Compact Principle 2
Fever Tree	●	●		Alcohol involvement
Man Wah	●		●	Supply chain oversight
Pernod Ricard		●		Alcohol involvement
Rio Tinto	●			Stakeholder rights



Process in Action: Rio

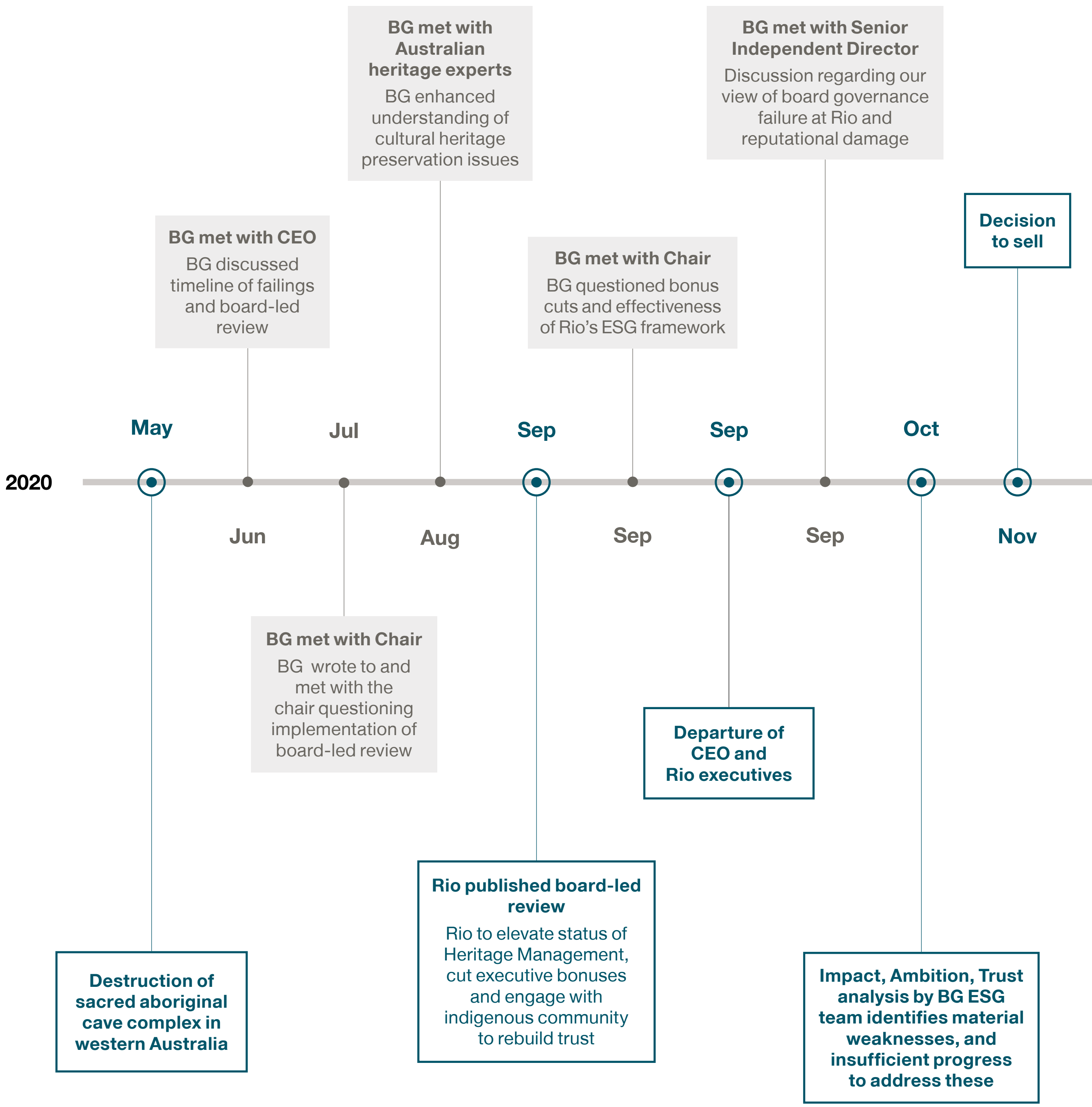
The 10 Principles of the UN Global Compact serve as a framework to assess the responsibility of a company's business practices. The decision to exclude a company based on assessment against the 10 principles does not mean the company's area of operations is intrinsically harmful, but rather that it is operating in a manner which may not meet the legitimate expectations and aspirations of responsible investors. Rio Tinto is a good illustration of our intention to adhere to both the letter and the spirit of the UN Global Compact.

Rio Tinto is a global mining company, and while metal ores are vital to human progress and the transition to a low-carbon economy, the mining sector is exposed to a wide range of complex environmental and societal risks. Mining can only be consistent with a mandate to invest responsibly and sustainably if the interests of all stakeholders are well-managed. To do so requires mining companies to operate by the very highest standards of corporate governance, and with an effective corporate culture, that earns the trust of communities, governments, and investors.

There had been solid evidence that this was present at Rio Tinto. We had applauded its success in managing the safety of its operations, as well as the board's proactive decision to exit its coal business. However, we were disappointed last year both by the specific issues that led to the cave destruction at Juukan Gorge, and the way that the board has responded to them.

A review of the company's governance, stakeholder management and sustainability footprint identified the need for some substantive reforms to address weaknesses in how sustainability issues are governed at Rio Tinto. As the timeline that follows demonstrates, we have engaged with the company at multiple levels (including the Chair, Chief Executive, and Senior Independent Director) to press the case for these, but the improvements we believed were needed had not been implemented by the end of the year, leading us to divest our holding.

Rio Tinto: Engagement on Juukan Gorge



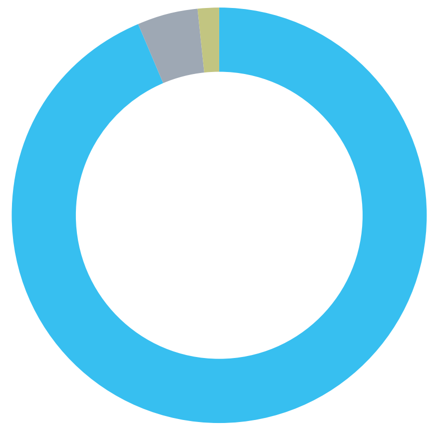
Grey = BG meetings
Blue = Other activity

Voting

Voting at company general meetings is one of the most important ownership rights we have as a shareholder. We also recognise that we must exercise our voting rights responsibly. Consequently, all our voting decisions are made on a case-by-case basis by the investment team and our ESG research analyst, as well as a dedicated proxy voting team who provide advice and guidance on each company to the investment team. Our voting decision will be based on our combined analysis and views.

Our investment style allows us to invest in only those companies we actively support and admire, therefore it is the case that most of our final voting decision are in support of management. However, we will engage with companies where more information is required or if a resolution appears to conflict with our Stewardship Principles. If after dialogue we conclude that it is in the long-term interest of both the company and our portfolio investors to withhold or oppose a resolution, then we will do so. We will always inform a company of our concern and rationale where we have reason to vote against management. By taking this careful, research-led approach to voting, and by meeting and engaging throughout the year with the management and board members of the companies we can exercise our voting rights most effectively on our clients' behalf.

As well as voting on resolutions submitted by management, we will also vote on all resolutions submitted by shareholders. Of the 743 votes in 2020, 22 votes were proposals submitted by shareholders. These proposals are typically related to aspects of environmental, social and governance issues such as separation of CEO and chair roles, board diversity and greenhouse gas emission disclosure. We supported seven (31.8%) shareholder proposals. We oppose shareholder proposals if we are comfortable management and the board is actively addressing the issue raised in the proposal.



For: 93.5%

Against: 4.9%

Abstain: 1.4%

Totals may not sum due to rounding.

743 votes at Annual General Meetings

695	11	37
cast in favour	abstentions	cast against

Data to 31 March 2021.

Notable votes cast against management proposals

ANTA Sports Products – AGM (April 2020)

We opposed two share issuance resolutions as we had concerns regarding lack of disclosure on discount levels and the potential for dilution. We do not believe these requests are in the best interests of shareholders.

Kering – AGM (June 2020)

We opposed three resolutions related to remuneration due to concerns with the link between pay and performance.

PepsiCo – AGM (May 2020)

We opposed the executive compensation policy as we do not believe the performance conditions are sufficiently stretching.

Want Want China – AGM (August 2020)

We opposed the election of three members of the compensation committee due to concerns with a discretionary bonus paid to the Chief Executive Officer.

Notable votes cast in favour of shareholder proposals

Apple – AGM (February 2020)

We supported the shareholder resolution requesting a report assessing the feasibility of integrating sustainability metrics into performance conditions for executive pay.

Fastenal – AGM (April 2020)

We successfully supported a shareholder proposal requesting the company prepare an employment diversity report. We are in favour of increased firm-level disclosure and transparency with regard to diversity.

Procter & Gamble – AGM (October 2020)

We supported a shareholder proposal requesting a report on efforts to eliminate deforestation as we believe it is important for the company to keep striving for improvements in this area.

UPS – AGM (May 2020)

We supported a shareholder resolution to require UPS to produce a report detailing how it plans to reduce its total contribution to climate change and align its operations with a Paris Agreement two-degree scenario.

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