



# Stewardship Report 2025: Activities and Outcomes

RBC Wealth Management UK & CI  
Incorporating RBC Brewin Dolphin and RBC Private Wealth

For full year to 31 December 2025

April 2026



## Contents

- Welcome	04
- Introduction to this report	06
- About us	06
- Information about our clients	07
- Investment beliefs and philosophy	08
- Voting activity	09
- Engagement activity	11
- ESG integration	20

- Responding to systemic risks	21
- Our stewardship priorities	25
- Climate	26
- Nature	32
- Human rights	36
- Governance	42
- Progress and looking ahead	45
- Appendix	46

# Welcome



As long-term investors, we are no stranger to the instability we currently face. Continued conflict and rising costs of living are enduring themes of our time and are now coupled with advancements in artificial intelligence (AI), the effects of which we cannot yet fully anticipate.

Against this background, stewardship remains a central part of our investment approach and a key way in which we seek to protect and enhance long-term value for our clients and beneficiaries. I take comfort in the work our team undertakes to protect and enhance the long-term sustainable value<sup>1</sup> of our clients' investments.

I am proud to share this report with you, which outlines our stewardship work through real examples, and the value we aim to bring to our clients. Members of the Executive Committee of RBC Wealth Management (Europe), including myself, have reviewed this Stewardship Report.

**Robin Beer**

Chief Executive Officer, RBC Wealth Management (Europe)



At its core, stewardship is not a box-ticking exercise or simply a matter of following process. It requires careful judgment—using engagement and voting thoughtfully to support resilient companies, strong governance, and good investment outcomes.

The stewardship landscape continues to evolve, as the broader political and regulatory environment has sharpened debate around the role of investors in corporate oversight. In the UK, we are seeing a rise in shareholder activism and the emergence of new approaches such as pass-through voting, which may reshape how stewardship responsibilities are exercised and how underlying investors participate in governance.

In this context, governance fundamentals remain critical. Recent events have reinforced the importance of effective boards, robust oversight mechanisms, and transparent corporate behaviour. Through constructive dialogue with companies and the considered use of our voting rights, we aim to support better governance and encourage practices that strengthen long-term value creation.

This report sets out how we have worked to deliver on that responsibility over 2025. It highlights some of our engagement with companies on key issues, the way we have exercised our voting rights, and some of the outcomes we have sought to achieve on behalf of our clients, including through our memberships and engagement with policy-makers. We are proud of the progress made and remain committed to continuing to develop our stewardship approach as expectations, regulation, and market practices evolve.

**Athanasia Karananou**

Head of Stewardship

1) As per the Financial Reporting Council (FRC)'s Stewardship Code 2026's definition of stewardship



I see 2026 as an important year for our business and our clients as we see the introduction of the UK Stewardship Code 2026. As chair of the Stewardship Committee, I am pleased to see the publication of the new code, which outlines the principles of good stewardship, and its clear message that stewardship is an important part of acting in an investor's best interest. We are pleased to see its focus on long-term sustainable value, as this is closely aligned with our approach as long-term responsible investors, and it underlines the importance of what we are already doing as an organisation.

Globally, investors are facing a number of challenges – geopolitical instability, trade tensions, AI implications and increasing physical risks from climate change, plus a number of others. We believe that effective stewardship – acting as responsible owner, engaging with companies and funds, using our voting rights as shareholders - is an essential part of how we help to address these challenges on behalf of our clients.

I am proud of what has been achieved in 2025. When our clients read this report, I expect they will be pleased about what the team have done on their behalf.

**Tom Blathwayt**

Chair of Stewardship Committee

## Introduction to this report

Our team has experience in governance and investment management and has a dedicated climate analyst and administrative support. We work alongside our research analysts to serve our diverse client base and engage with our holdings.

This report provides an overview of our stewardship activities and outcomes, including examples of our work in the form of case studies. More information on our processes and governance can be found in our Policy and Context Disclosure, which is a separate document and can be found on our website.

In the UK and Channel Islands, Royal Bank of Canada (RBC) offers wealth management services under two platforms, RBC Brewin Dolphin and RBC Private Wealth, which operate through the legal entities RBC Europe Limited and Royal Bank of Canada (Channel Islands) Limited for providing such services in the UK and Channel Islands respectively. This report covers the UK and Channel Islands related stewardship activities of these platforms and legal entities (referred to as we, us and our), unless otherwise noted.

## About us

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

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

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



## Information about our clients

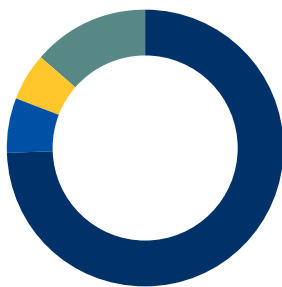
As a wealth manager with over 30 offices across the UK, Ireland and Channel Islands, we serve a diverse group of clients and look after approximately £66.9 billion of funds under management (FUM)<sup>1</sup> on their behalf. Clients vary significantly in size, type and objectives as well as the level of advice they seek; some take a fully advised service, and others are clients of external

financial advisers. Because of this broad spectrum, and the large quantity of different stocks, bonds and funds they may hold, our stewardship processes must be prioritised to generate the greatest impact. This is discussed in detail in a later section, and the figures below give some context to the makeup of our clients and FUM.

**83%** of our FUM has a discretionary mandate<sup>1</sup>

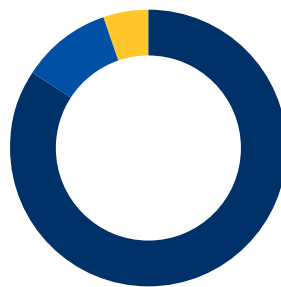
**64%** of our FUM is held by clients with a direct relationship with us<sup>1</sup>

Client type breakdown by FUM<sup>1</sup>



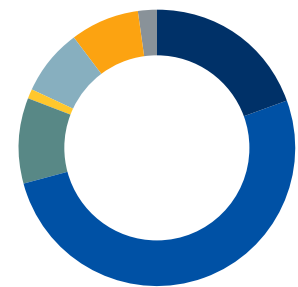
● Private clients and trusts	74.72%
● Charities	6.22%
● Corporates	5.67%
● Unclassified	7.01%

FUM across our office locations<sup>1</sup>



● UK	84.39%
● Ireland	10.36%
● Jersey	5.25%

Asset allocation<sup>1</sup>



● UK Equities	19.51%
● Overseas Equities	51.49%
● Corporate Bonds	10.04%
● Global Property	1.16%
● Sovereign investments	7.77%
● Other assets	7.95%
● Cash	2.09%

1) As at 31/12/2025. This FUM and its breakdown represents all of our clients, while this report specifically refers to the activities undertaken in the UK and Channel Islands.

## Investment beliefs and philosophy

### What we believe:

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

### What we do:

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

## 2025 Voting activity

We strongly believe in the importance of using our right and responsibility to vote on behalf of our clients, the beneficial owners, in respect of their investments held via our nominee companies. We vote on what we consider to be our core holdings, which represent the following categories.

- Top 75% of our listed holdings by FUM
  - We prioritise by size to help ensure every vote we cast is done so thoughtfully and with conviction.
- Equities and investment trusts on our recommended buy lists
  - Because of how our clients can invest, we have holdings that vary from a couple of hundred pounds up to hundreds of millions of pounds. However, the majority of investments are in those researched and recommended by our analysts.
- All investments held within our centrally run models
  - The equities and investment trusts covered by our analysts or in our models are our highest conviction holdings, and we have a great deal of expert knowledge on them, gained through extensive research and engagement.
- All other holdings where we own at least 5% of the share capital, and hold over £5 million
  - Even if the holding is relatively small for us, it can be significant to the investee company or trust and thus be meaningful to the outcome of a vote.

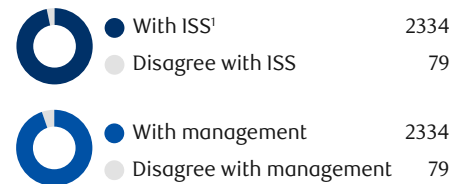
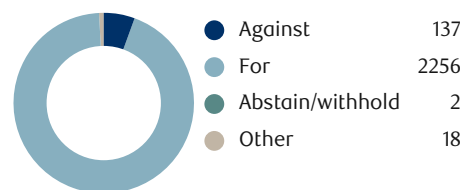
We may also vote on additional holdings on an ad-hoc basis. This could be at the request of an investment manager or in response to important developments at a company or sector level.

The charts below and overleaf show the meetings at which our analysts actively voted on and some of the decisions they took. We also show votes cast by proposal category, to give transparency on the topics that come up most often on agendas. Electing directors remains the resolution that we see most often, which is largely down to the number of directors on each board and the requirements in most geographies to vote for them annually. However, director elections are increasingly becoming a key mechanism for holding companies accountable on issues ranging from strategy oversight, and remuneration to climate change.

**All of our voting decisions are available on our [Vote your Shares website](#).**



**Total resolutions - 2413**



1) Institutional Investor Services (ISS) is our proxy research provider

## Votes cast by Proposal Category

Director related	1160
Capitalisation	371
Compensation	239
Routine business	228
Audit related	214
Social	72
Takeover related	59
Company articles	26
Environmental	20
Strategic transactions	12
Corporate Governance	12

When we vote differently to the recommendations of management or our proxy provider, we consider this to be a “significant vote”. In these instances, rationales are provided within our Quarterly Stewardship Updates, a library of which can be found on [our website](#). There are also case studies throughout this report with examples of some prior voting decisions.

Our voting guidelines were updated in 2025 to reflect the nuances of the votes we have seen over the year. This included some more specific comments related to issues such as AI oversight, activism and remuneration and how our analysts might vote on related proposals.

As discussed in the Activist Shareholder Campaigns section, page 16, the Saba Capital campaign in 2025 showed how, in some instances every vote counts. Our Vote Your Shares portal allows our clients to vote their own shares, and we have seen clients’ continued usage of this system throughout 2025. The below charts show the numbers of these votes and how they compare over time. We are proud to be able to offer this service to our clients, supporting them in playing an active role on important issues that could impact the value of their investments. We also facilitated the attendance at shareholder meetings for a number of clients, on their request.

Description	2025	2024	2023	2022
No. of eligible meetings	4,301	4,468	4,985	5,227
Meetings voted at by clients using Vote Your Shares	456	467	498	92
Meetings attended by clients	61	77	60	59

## Engagement activity

We continue to have a high bar for what we consider to be an engagement. However, we also consistently track all interactions we have with investee funds and companies, as they are of great importance. Building relationships in times of stability helps give us a good foundation and the ability to reach out and get answers when problems do arise.

With that in mind, we were pleased to see the FRC clarify that while engagement may sometimes encourage change, a productive engagement does not need to be confrontational, and may also be a regularly scheduled meeting to exchange information or share opinions. With this development, more of our interactions with investee companies would be considered engagements, per the FRC, than in previous reports. We have provided a breakdown below to outline the types of engagements we have had across the year.

**Total engagements: 65 equities, 67 funds**

Topics covered include:

- Strategy
- Remuneration
- Nature
- Corporate structure
- Climate
- Succession
- AI
- Safety
- Governance
- Activism

As outlined, the topics covered by our engagements are wide-ranging and while we will sometimes have a one-off conversation, oftentimes our interactions are more consistent and long term, especially with our largest holdings.

Given our exposure, expertise and resources, the main asset classes covered by our stewardship process continue to be direct equities and investment trusts, some of which provide us with exposure to private equity and alternatives. We engage consistently with our third-party fund managers as part of our ongoing monitoring and controversy tracking programmes.

While many conversations in 2025 were about providing feedback and/or information gathering exercises; they are necessary for building relationships with senior management and board members, and sharing our objectives relating to stewardship and engagement. These conversations also pave the way for meaningful engagement if we identify an issue in the future.



## Collaborative engagement

We select our memberships and collaborative engagement initiatives carefully, ensuring that they are additive, providing us and our clients with benefits we could not access alone.

We are members of Climate Action 100+ (CA100+), an investor initiative to encourage the world’s largest corporate greenhouse gas emitters to take necessary action on climate change.

We are also members of Nature Action 100 (NA100), a global investor engagement initiative focused on driving greater corporate ambition and action to reverse nature and biodiversity loss.

We are signatories to the Principles for Responsible Investment (PRI), adopting their principles for environmental, social and governance (ESG) integration. Through our membership, we sit on the Human Rights and Social Issues Reference Group as well as the UK and Global Policy Reference Group.

We are proud to be a member of the Investor Forum, whose purpose is to position stewardship at the heart of investment decision-making by facilitating dialogue, creating long-term solutions and enhancing value. We participated in four collaborative engagement calls with the Investor Forum in 2025 and attended a further 13 of their events, which included sessions on defence, regulatory updates and net zero targets.

We work closely with Columbia Threadneedle reo® as our provider of sustainability-specific collaborative engagement services. Columbia Threadneedle reo® will engage on our behalf, on agreed priority issues, with feedback from our own investment managers who bring in the perspective of their clients. Through this collaboration, we can increase our leverage in addressing a range of systemic issues. This is evidenced by the breadth and depth of engagements undertaken on our behalf in 2025, with complete milestones and regular updates. This is illustrated in the graphics and case study below.



Engagements by theme \*

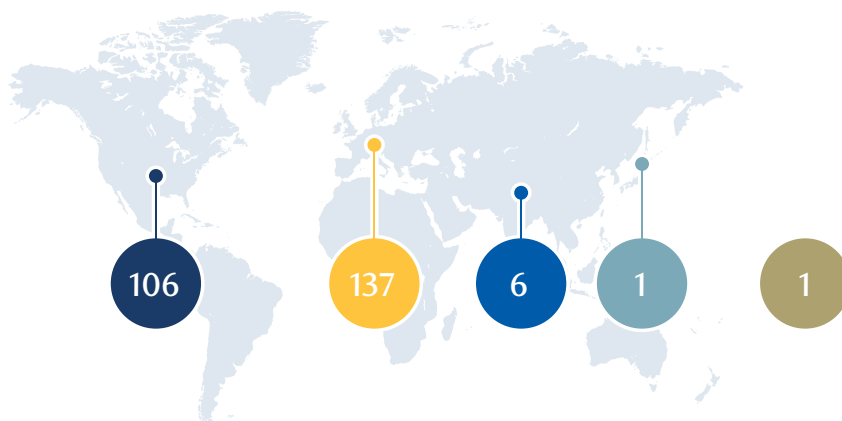


Milestones achieved by theme



Companies engaged by region\*\*

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



Source: CTI Asset Management, 31-Dec-25

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

\*\* Corporate actions may cause slight variance in annual engagement activity reporting when compared to quarterly reporting.

## Columbia Threadneedle reo®: Engagement Provider case study<sup>1</sup>

**Asset class:** Equities

**Company:** Amazon.com, Inc. (Amazon)

**Theme:**

Energy management, water and human capital management

**Issue summary:**

Amazon is a leading online retailer and web service provider that offers a range of products and services to customers from electronic devices, media content and on-demand technology services. As a leading e-commerce and cloud computing company, Amazon faces various environmental and social risks across its operations and supply chain. We met with ESG Engagement Specialists to discuss their views on the impact of potential trade policies, their human capital strategy, and their water and energy strategy for Amazon Web Services (AWS) data centres.

**Action:**

Regarding potential import tariffs on Chinese goods in the US, Amazon believes that compliance would primarily lie with third-party sellers in their supply chain, potentially affecting supply chain resilience to some extent. On human capital management, Amazon has implemented several feedback channels and robotics to improve working conditions in fulfilment centres. However, we encouraged the company to identify and disclose metrics to assess the effectiveness of these measures, such as tracking and resolving material grievances. In relation to AWS data centres, Amazon considers siting decisions aligned with customer expectations and resource availability. On energy management, the company works on the principle of additionality (i.e. it aims to add renewable and clean power capacity where it is most impactful and cost-effective and offset that against energy usage) versus 24/7 matching of energy usage to renewable energy generated on the local grid. Amazon has also built a water risk dashboard based on assessments in order to prioritize regions for greater water saving and recycling intervention.

**Outcome:**

We are encouraged by Amazon's long-term net-zero and water-positive<sup>2</sup> goals, as well as its efforts to improve working conditions and human capital management. However, we believe these commitments should be validated by interim, publicly disclosed targets in order to more effectively assess progress. Amazon's approach to energy and water management for AWS data centres is commendable. We intend to continue our engagements in order to drive further transparency and accountability on material ESG issues across the company's operations and supply chain.

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

2) <https://sustainability.aboutamazon.com/natural-resources/water>

## Direct Equities

We carry out engagements with the boards and management of the companies in which we invest to gather information on strategy and update our assumptions. We may also engage with the view to encourage change or advocate for better corporate behaviour which could support long-term financial value. We report on our engagement work throughout the year to clients and other stakeholders via our Quarterly Stewardship Updates.

Examples of our engagements are demonstrated in the following case studies, with additional examples available in the stewardship priorities section of this report. These are a subset of our engagements as some of our engagements are ongoing, and not yet at the stage where we can disclose details. In addition, there are sensitive engagements, where we respect the confidentiality required and will release further details if and when it is appropriate to do so.

## Internal case study

**Asset class:** Equities

**Company:** UnitedHealth Group (UnitedHealth)

**Theme:**

Governance

**Issue summary:**

Following several high-profile issues over the course of 2024 and 2025, we reached out a number of times to UnitedHealth to gain additional information. These included a large-scale data breach, succession planning and related compensation. Towards the end of 2025, we secured a call with UnitedHealth's investor relations team to discuss.

**Objective:**

To understand in more detail the company's response to the incidents, how they have mitigated future risks and what lessons they have learned.

**Action:**

Our discussion was beneficial and many topics were covered. We were pleased with the openness of the company and encouraged by the direction being followed under the new CEO, who is in fact returning to the role after having stepped down in 2017. We questioned the pay package awarded to the new CEO, which was a one-time equity award, vesting over three years. We questioned the logic of this, in terms of performance incentives and time scales. The company said the pay aligns his interests with shareholders, and his base salary of \$1million is relatively low for the size of the company. Furthermore, we engaged with the fund managers that hold shares in UnitedHealth on our behalf to understand how they are also considering the ongoing issues and exchange views.

**Outcome:**

We left the engagement feeling positive about the attitude of the company towards shareholder engagement, and the corporate cultural changes that appear to be taking place. The company has had a difficult year, and we will continue to monitor and assess how things develop.

## Internal case study

**Asset class:** Equities

**Company:** Multiple

**Theme:**

Remuneration consultations

**Issue summary:**

As long-term, engaged shareholders, we often find that some of the companies in which we invest will reach out to us and invite us to consult on potential changes to their remuneration policy. These policies set out how executives will be remunerated, which includes base salaries, short-term and long-term incentives – including both cash and shares.

**Objective:**

Participating in remuneration consultations allows us to provide feedback prior to companies' AGMs. We would prefer the board reach out in advance and take on suggestions from us and other shareholders, rather than having to vote against a remuneration policy that we do not agree with.

**Action:**

In each case, we will review the remuneration policy, or summary of changes, that we have been sent. We will consider the magnitude of the changes, how they align with the shareholder experience and if past remuneration policy votes have received significant shareholder dissent.

**Outcome:**

Our responses often highlight subtle changes that we might like to make, however we rarely find that our views are entirely out of step with those of the board, given that we invest in high quality companies that generally understand the views of shareholders. We will always review the final policy that is put to shareholder vote and will consider how feedback has or hasn't been taken into account.

## Collective investment funds

Because of the nature of our business, many of our clients own a combination of third-party funds and direct equities. We believe that stewardship must extend beyond our direct investments and into the funds we own as well.

We invest in different types of collective investments, and the approach we take will vary accordingly.

### Investment Trusts

As a listed collective investment, investment trusts act as a third-party fund in their investment activities but are set up as a company with a board of directors, AGMs and the potential governance issues that come with such a structure. We are significant owners of many of the UK's largest investment trusts.

As a result, for the third year running, we wrote to our largest holdings at the end of 2024 in an engagement campaign on governance expectations. The letter resulted in a number of engagements with

investment trust boards over the course of 2025, and subsequently the building of better relationships.

We have analysed how board diversity has improved in the time since we started our engagement programme. This work can be found on page 42.

We have once again repeated this, sending out a similar letter in the last few weeks of 2025. We received a number of responses from boards, outlining how they meet our expectations, and if they don't, providing us with sufficient explanations.

## Activist shareholder campaigns

For many in the investment trust market, the first half of 2025 was defined by the activist campaign of Saba Capital. In general, we believe there is a role for activists and their campaigns. We will always be driven by achieving the best outcome for clients in the most appropriate manner and have benefitted from the actions of other activists in the past.

That being said, in our opinion, sometimes activism is not undertaken with the interests of minority shareholders in mind. Towards the end of 2024, a U.S. based hedge fund, Saba Capital, launched a very public activist campaign to implement significant change at seven UK investment trusts by requisitioning general shareholder meetings.

We had been observing the activist's position-building efforts for some time, unclear of the course of action it would take. In short, Saba's proposal was the removal of all board directors at the seven trusts, who would be replaced by two of its own representatives. The trusts had been trading at a discount (the difference between the share price and underlying value of assets), and Saba claimed they could deliver better shareholder value. To Saba, this involved taking over the board and potentially the investment management function and combining the trusts into a new vehicle under Saba's management.

The proposals it put forward, if voted through, would have had considerable repercussions for minority shareholders. In instances like this, where the activist has a significant stake (Saba held approximately 29% of most trusts at the time of the meetings), every vote counts. Concerns were also compounded by the historically low level of shareholder turnout. We therefore felt that the right thing to do, as responsible owners, was to research and vote at all meetings, for both core and non-core holdings, especially given the high proportion of shares held by retail investors who may not have access to quality, personal financial advice. We alerted our execution-only clients to vote as well. This not only helped protect the interests of all our clients but also ensured that they continue to benefit from the expertise of the existing managers, rather than ending up in potentially subscale, illiquid funds with an unclear investment objective.

We engaged extensively with various parties to ensure we heard all views before casting our votes, including most of the boards of the trusts in question, and Boaz Weinstein and Paul Kazarian of Saba. Following our engagement, we remained concerned over numerous issues that might have resulted in poor outcomes for investors in the targeted investment companies, if the Saba bid prevailed. These included the appointment of non-independent board candidates who may not represent our interests, and the potential subsequent

appointment of Saba as the investment manager, with no track record or expert knowledge of the assets held, as well as a lack of clarity on future direction or potential costs.

Ultimately, Saba's proposals were voted down by an overwhelming majority of non-connected shareholders. Following this, some boards have offered shareholders the opportunity to exit the trusts at a fair price, for example, through managed wind-downs. Furthermore, off the back of this campaign, we entered into dialogue with the FCA and the Association of Investment Companies (AIC), via the Investor Forum, to encourage changes to the listing rules. These changes would add further protections to minority shareholder rights with regards to minimum requirements for independent directors. We feel that this is a fundamental gap not currently addressed in the rules. If left unaddressed, this gap may, in future, compromise the interests of our clients as shareholders. We also expressed our support for the AIC's 'my vote, my share' campaign dealing with retail shareholder rights.

As 2025 progressed, we saw Saba's shareholdings rise again at several investment trusts, which led to additional meetings being requisitioned. Once again, we were led by what is in the best interests of our clients. As this activity progresses through 2026, updates will be provided via our Quarterly Stewardship Updates.

## Engaging with active managers

In 2025, we reviewed and strengthened monitoring of our external active fund managers. As mentioned previously, we believe it is of the utmost importance to consistently monitor their engagement and voting practices, assessing information on climate, significant votes and controversies.

## Controversy tracking process

Our Controversy Tracking Process remains one of our primary methods of monitoring stewardship and ESG integration in real time. This enables our specialist global manager research analysts to work with the managers of our approved list funds, to help ensure that companies to which we are indirectly exposed are being correctly monitored and engaged with where appropriate.

We receive inputs from data providers and news outlets and on an ad-hoc basis from members of our Sustainable Investment Advisory Group who are tasked with providing feedback on our controversies process and monitoring the tracking and decision-making. We may also on occasion engage on controversies based on feedback from our investment managers, who represent the client voice.

In 2025 we engaged on three controversies that we felt warranted further investigation. In total, we contacted 19 fund managers to confirm their awareness of the issue, their rationale for continuing to hold the company in question within their fund, engagement efforts and next steps. These controversies represent real-world issues that have the potential to affect investment returns and wider society. This year, the number of controversies was lower than in the past, however we were pleased with the breadth of covered issues including executive remuneration, deforestation and corporate culture.

Through this process, not only do we encourage better outcomes for the underlying companies, but we also effectively monitor funds' ESG integration

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

## Internal case study

### Controversy Tracking Process: Tesla

#### Issue summary:

We engaged fund managers regarding the fact that Tesla failed to set an AGM date in accordance with the law in Texas where it is incorporated. While this seems a fairly minor infraction, it is within the broader context of a company where the independence and overall accountability of the board is often queried.

#### Objective:

Through our Controversy Tracking Process, we want to understand how the fund manager in question has dealt with the issue. We ask if they have engaged directly with the company and if their investment case has been altered as a result.

#### Action:

In this case, because a meeting was eventually set, the engagements with the fund managers turned to the unprecedented pay package for the CEO. The package, worth up to \$1 trillion, would be the largest in corporate history and grants significant voting control to the CEO if the targets are met. Furthermore, it is underscored by concern of the amount of power the board has to hold management accountable. We therefore continued the engagement, asking fund managers to disclose how they voted and why. We heard from some managers about their meetings with the board and the routes they took to reach their decision.

#### Outcome:

Tesla is not a conventional company, and therefore we would not expect its remuneration structure to be conventional. However, we must ensure that we are advocating for the right balance between our clients' interest and those of management. We will therefore continue to monitor developments at the company and engage with the funds that hold it on our behalf.

## Vote monitoring

While engagement is a vital part of stewardship, we also want to understand how our active fund managers have voted. In 2024, we initiated our vote monitoring programme as a pilot, reaching out to fund managers for their vote decisions and rationales on shareholder meetings we deemed to contain significant votes. In 2025 we repeated this project on a more formal basis, the results of which are described in the case study below.

## Internal case study

### Vote alignment monitoring

#### Issue summary:

Given the exposure we have to third party funds, it is important that we monitor their stewardship work, which includes voting.

#### Objective:

We want to ensure that the voting decisions they are making are thoughtful and well justified. While in general we are keen for our third-party fund managers to vote in a way that is aligned with our own decisions, this is not a requirement 100% of the time, provided solid rationales are given.

#### Action:

We reached out to 13 fund managers, asking for their voting decisions and rationales on a variety of meetings we deemed to be significant. Because these meetings are those which we also voted, we have a good understanding of the issues voted on. The responses we received were analysed against our own voting decisions and the decisions of the other managers to highlight any instances where we needed to follow up with more questions.

#### Outcome:

The responses we received were of an overall high quality, certainly improving upon those we received in 2024, which was our first year of the project. Feedback was sent to the fund managers, highlighting areas that were strong and those in need of improvement.

## Climate monitoring

Climate change represents a significant risk to the assets we invest on behalf of our clients. While our ESG integration takes this into account for direct equities, for third-party fund managers, we need to examine their approach in detail. We have repeated this exercise for the past five years, and the requests we sent out in late 2025 represent the third year of our scorecard.

The 2025 scorecard results, which took into account responses to the request sent in late 2024, have been compared against previous years for the first time. This has given us unparalleled insight into not only how the third-party fund managers are approaching climate, but also how this has changed over time, especially given the current political landscape.

The Climate Engagement Programme is examined in more detail in the Stewardship Priorities section of this report, on page 26.

## Index manager monitoring

Index funds, with their low cost and whole market coverage, are widely held amongst our clients. As owners of entire indices and without the option to divest, engagement and voting activity from these big market players can be very influential. This is particularly true for very large companies, where the top institutional shareholders tend to be one or more of the biggest index providers. Given how similar the investment offerings are between index providers, stewardship, along with cost, can be the key differentiator.

We hold annual meetings with these index providers, in which we discuss their approach to stewardship and climate, and question them on specific engagements stemming from controversies that we have identified. This past year was the third time we have used our scorecard to rank the fund houses, provide feedback and track progress, and to help consider changes to asset allocation where feasible.

We once again saw differentiation between those with the highest and lowest scores, as well as a clear split between European and North American fund houses. While the rankings have moved around slightly, overall, those that performed well last year did so again in 2025, with a couple notable exceptions where we saw real improvement. In fact, we were told that it was our feedback that contributed to the increased investment in stewardship. However, it was disappointing to see that one that had improved in 2024 slipped down the rankings again, due to a lack of prioritisation by management and a misunderstanding of the value good stewardship brings for shareholders.

Throughout 2025, voting choice, or pass-through voting, has become very topical in the industry, building on momentum from 2024. Pass-through voting would allow us, as clients of the third-party fund managers, to align our voting decisions across all holdings, be they direct or indirect. This is particularly attractive for our passive providers. As trackers of a whole index there is no option for these managers to divest, and we have often found that escalation does not occur at a pace we feel is appropriate. We also think that our ability to influence change or inform the thinking of many of our passive providers is limited in contrast to active managers, for whom stewardship is more central to their identity. At the same time, our due diligence and ongoing monitoring processes on our active managers' stewardship efforts – including voting and links to engagement – is a fundamental part of our process.

Pass-through voting is now discussed with every passive provider and forms part of our annual assessment, and we have been exploring the options offered to us as a means of taking this forward for the 2026 proxy season.

## ESG integration

Stewardship is one element of our Responsible and Sustainable Investment Framework, alongside ESG integration and positive and ethical screening. This framework is available on [our website](#). Our analysts will consider, alongside the traditional financial factors, material non-financial issues concerning environmental, social and governance factors. These material non-financial factors will form part of the investment case, as they bring with them risks and opportunities that are important to long-term shareholders. Stewardship may play a part in the research and discovery of this information, and we have included an example of this work from 2025 to demonstrate the depth of our insights. The company featured is one of many stocks covered by our research team and may not feature in all client portfolios.

### ESG integration example: Apple Inc (Apple)

Category	Company traits sought may include:	ESG related considerations
External Positioning	<ul style="list-style-type: none"> <li>• Powerful ecosystem/ sticky installed base</li> <li>• Pricing power+ premium brand trust</li> <li>• Control of hardware + software + services</li> <li>• Operational resilience/supply chain leverage</li> </ul>	<p>Apple has a large active installed base of ~2.35billion devices so even small design or policy changes (materials, packaging, charging standards, longevity, default settings) can materially affect emissions and waste.</p> <p>The commitment to carbon neutrality across its footprint by 2030 (“Apple 2030”) aims to create a roadmap that can influence product design, supplier requirements, logistics and materials choice. Execution risk remains, but the direction is strategically important given consumer scrutiny and regulatory pressures.</p> <p>Circularity is a key differentiator – trade-ins, refurbishment and recycling programmes can reduce demand for virgin materials and may have the result of reducing exposure to volatile and currently rising raw material prices. Apple’s recycling tech, such as ‘Daisy’, its disassembly robot, aims to improve recovery of higher-value materials.</p> <p>Apple has been working hard to extend device life, which is one way to reduce a lifecycle footprint. Apple’s approach to repairability, parts availability, software support and resale value can directly affect product longevity and e-waste.</p>
Internal Qualities	<ul style="list-style-type: none"> <li>• Long-term orientation in product roadmap</li> <li>• Ability to enforce standards through procurement and supplier governance.</li> <li>• Strong risk management/risk discipline</li> </ul>	<p>With its strong negotiating power, Apple can push standards into supply chain (energy, labour practices, audit, traceability). This is a key element of Apple’s strength.</p> <p>Apple has faced recurring scrutiny over working conditions in China, on issues such as forced overtime and worker welfare. In response, Apple requested an independent Fair Labour Association (FLA) investigation of Foxconn sites (2012)<sup>1</sup> and committed to remediation programmes, alongside strengthening supplier standards, audits, and corrective-action processes via its Supplier Responsibility framework.</p> <p>Apple has strengthened its supplier oversight. It now engages hundreds of thousands of supplier employees and provides anonymous phone lines for suppliers. They also stated that their experts typically go onsite within 24-48 hours to investigate allegations.</p> <p>In its 2024 Supply Chain progress report, Apple reports 1.3 million+ supplier employees “directly engaged”, 7,500 workplace improvements made based on feedback and 37,000 follow-ups to ensure workers did not face retaliation, which could lead to full termination of a supplier. In the same year, Apple found zero instances of forced labour in its supply chain and highlights that 1.4 million supplier employees were covered by responsible recruitment due-diligence training. It has also removed 25 manufacturing supplier facilities and 229 smelters/refiners since 2009 for failing to meet standards.</p> <p>These are steps in the right direction although NGOs continue to argue that audit-led compliance can miss structural issues.</p>

1) [https://unhealthywork.org/wp-content/uploads/foxconn\\_investigation\\_report\\_0.pdf](https://unhealthywork.org/wp-content/uploads/foxconn_investigation_report_0.pdf)

Category	Company traits sought may include:	ESG related considerations
Analytical Assessment	<ul style="list-style-type: none"> <li>• Comfort with ESG risks</li> </ul>	<p>As one of the largest players in the global smartphone market, as at April 2026<sup>1</sup>, Apple may be seen as having an important role to play in reducing global carbon emissions and ensuring strong standards in its supply chain.</p> <p>The most material levers are (i) decarbonising the supply chain (ii) increasing recycled/lower impact materials and (iii) improving durability, repairability and resale to extend product life and reduce e-waste.</p> <p>On the social side, the key risk remains the breadth and complexity of the supplier base, particularly around working hours, labour practices, and grievance effectiveness. As seen above, Apple has improved standards and auditing, but it is essential to monitor proactive improvements rather than to only react to issues.</p> <p>On the governance side, in 2021, Apple has added sustainability targets to its executive remuneration policy – it has a “bonus modifier” which can increase or decrease bonus payouts by up to 10% based on the Compensation committee’s evaluation of executives’ performance with respect to Apple Values (ethics &amp; compliance; environmental progress; social/human capital factors; leadership behaviour and reputational risk).</p> <p>In summary, consumer electronics carry inherent environmental and social risks, concentrated in materials sourcing and the supply chain. Apple’s relevance as a case study is its ability to drive measurable changes at scale through product design, supplier standards, and circularity initiatives. The true investment test remains constant execution and transparent reporting which we continue to carefully monitor.</p>

## Responding to systemic risks

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

Global conflicts have continued. As investment managers, we aim to position portfolios to best protect, and grow, the value of our clients’ assets. We consider that we are well placed to respond to these risks from an investment point of view, by adjusting our internal asset allocation and stock selection accordingly. In 2025, our Asset Allocation Committee met monthly to review the current market and geopolitical situations and where necessary or prudent, alter our tactical asset allocation in an effort to position portfolios to maximise risk-adjusted returns. The Asset Allocation Committee takes into account issues such as those listed above, alongside more acute shocks and longer-term risks.

A vital part of stewardship is the promotion of a well-functioning financial system. We believe that good stewardship and a well-functioning market will

serve the best interests of our clients by improving transparency and reducing risk. Over 2025, we have contributed to the functioning of the UK markets, harnessing our governance expertise and memberships of industry bodies and committees. Where appropriate, we will contribute to the policymaking process for the benefit of our clients and their long-term interests. This year we have been involved in discussions on virtual shareholder meetings, pushed for changes to listing rules amid shareholder activism and engaged extensively on the development of the updated Stewardship Code 2026. We also continued our work with the Investment Association Stewardship Committee, FRC’s Stakeholder Insights Group and various PRI Reference Groups, feeding into consultation responses and responding ourselves directly when needed.

AI has also played a role in the market, and in everyday life, making it another important risk to consider and manage. It is therefore a topic that is considered as part of our ESG integration work, alongside cybersecurity more broadly. AI is also becoming an increasingly popular topic for shareholder proposals, with requests for information on the use of data,

1) <http://www.forbes.com>

privacy and ethics, becoming common place on the ballots for large tech companies. We also take into account how risks around AI are governed, including if a board committee has responsibility for the topic.

Another systemic risk is climate change. Climate change continues to be one of our stewardship priorities, reflecting the importance we place on it and the potential risks it brings. We explore this topic

deeply on page 26 in this report, alongside more case studies and examples of our work. Nature is also an important risk that is highly intertwined with climate. In 2025 we decided to join FAIRR, an investor initiative that focuses on deepening investor understanding of our global food system, in order to strengthen our research capabilities on sectors exposed to nature-related risks.

## Internal case study

### GC100 and virtual AGMs

**Issue summary:**

Our stewardship work isn't only company or fund specific. Often, we will engage at a more systemic level, to address issues that impact the investment ecosystem as a whole. In this instance, we joined a group of investors, convened by the Investment Association on the topic of the digitisation of the economy, specifically referencing virtual shareholder meetings.

**Objective:**

To work with other investors and the GC100 to come to an agreement on the best course of action with regards to virtual only shareholder meetings, such as AGMs. The GC100 represents general counsel and company secretaries of companies in the UK FTSE 100.

**Action:**

Over the course of several meetings, we and other investors outlined our views on virtual only shareholder meetings, and how they need to be shaped in order to work in the best interests of shareholders. Issues discussed include allowing shareholders the opportunity to vote in favour or against the virtual only format and ensuring that their right to ask questions and be heard is upheld. We put forward our views on behalf of our clients, a small number of whom do attend AGMs in person every year.

**Outcome:**

In December 2025, the GC100 published guidance for companies seeking to hold virtual only shareholder meetings. It includes guidance around accessibility of the meeting, shareholder rights to speak and visibility of the board members. Within our internal processes, we will consider any AGM resolution that seeks to hold meetings virtually and will endeavour to attend at least one in the future to ensure the meetings are being conducted in a way that upholds the rights of shareholders.

## Columbia Threadneedle reo®: Engagement Provider case study<sup>1</sup>

**Asset class:** Equities

**Company:** Apple Inc

**Theme:**

Strengthening AI governance and privacy protection in technology innovation

**Issue summary:**

Apple Inc is one of the world's leading technology companies, with increasing focus on artificial intelligence integration across its products and services. As AI technology becomes more prevalent in consumer technology, concerns about data privacy, ethical AI development, and responsible innovation have grown. We engaged with the company to understand their governance framework for AI development, particularly regarding their partnership with OpenAI and their approach to protecting user privacy while advancing AI capabilities.

**Action:**

We engaged with management to discuss their AI data sourcing and governance framework. The company has implemented robust privacy protections in their OpenAI partnership, by for example including IP masking mechanisms. Apple emphasized that their integration with OpenAI includes specific privacy safeguards, with users having control over their data usage. Additionally, the company has established a system allowing web publishers to block AI training data collection through their crawlers, similar to existing ad-blocking mechanisms. Individual users also have the ability to object to the processing of their personal data for AI model training. Regarding governance structure, while the company is considering codifying responsible AI principles explicitly in their board committee charters, they currently maintain regular audit committee oversight of AI development and implementation. The company also provides updates to the board on charitable donations and regulatory developments, demonstrating a comprehensive approach to governance in our view.

**Outcome:**

Apple demonstrates a thoughtful approach to AI governance and data privacy protection, with clear mechanisms for user control and transparency. Their implementation of opt-out systems for both publishers and individuals shows commitment to responsible AI development. While formal codification of AI principles in board charters remains under consideration, their current governance framework appears robust. We will continue to monitor the evolution of their AI governance structure and engage on the potential formalization of responsible AI principles in board charters. The company's balanced approach to innovation and privacy protection provides a strong foundation for long-lasting AI development.

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

## External Fund Manager Case Study<sup>1</sup>

**Manager:** Royal London Asset Management

**Fund:** Sustainable Leaders Trust

**Asset class:** Equities

**Company:** Visa Inc. (Visa)

**Theme:**

Sustainable and ethical AI

**Issue summary:**

Royal London Asset Management engaged with Visa, a global payments company, firstly with a questionnaire and then with a follow up meeting to assess its approach to sustainable and ethical AI. The discussion involved Chief Privacy Officer and other specialist staff. The discussion was centred on potential risks related to AI governance, regulatory compliance, operational resilience, and the company's broader sustainability performance.

**Objective:**

To understand Visa's framework for managing sustainable and ethical AI, assess alignment with emerging regulations and standards, and evaluate how its practices mitigate material risks associated with AI deployment.

**Action:**

Royal London Asset Management met with Visa to review its responses to the questionnaire the Manager sent and to deepen its understanding of Visa's AI governance processes. This included exploring:

- Alignment with the EU AI Act and NIST standards
- Internal governance structures and risk management frameworks
- Approach to generative AI experimentation and oversight
- Safety testing for bias and ensuring compliance with ethical standards
- Environmental sustainability actions related to AI infrastructure.

This engagement contributed to ongoing collaborative stewardship efforts and informed internal escalation pathways where further clarity or assurance was required.

**Outcome:**

We gained increased confidence in Visa's approach to sustainable and ethical AI. Visa demonstrated expertise and maturity in AI governance, having tracked generative AI since 2017 and strengthened safeguards accordingly. Its systems undergo reviews, experiment within secure zones, and are regularly assessed by a dedicated model risk management team. Visa regularly tests AI security, robustness, and ensures transparency, fairness, and compliance with ethical standards. On environmental sustainability, the company is advancing toward its 2040 net-zero target, sourcing clean electricity for data centres and working with suppliers to monitor its environmental footprint.

1) This, and all subsequent External Fund Manager Case Studies featured in this Report has been written by the Manager named in each case study, and as a result any reference to we/our/us refers to the Manager, not RBC Wealth Management UK & CI. All actions, opinions and statements made in the featured External Fund Manager Case Studies are those of the respective Manager and not of RBC Wealth Management UK & CI. While information presented in each External Fund Manager Case Study is believed to be factual, its accuracy is not guaranteed by RBC Wealth Management UK & CI.

# Our stewardship priorities

A key objective of our stewardship programme is protecting and enhancing the value of our clients' assets. This can be done through a number of channels as explored throughout this report. However, trying to address every issue or controversy highlighted to us is not the most effective means of promoting and supporting change. Therefore, given our finite resources and the benefits achieved through clarity and prioritisation, we maintain our set of four stewardship priorities to guide our work.

Our Policy and Context Disclosure explains in more detail how we arrived at the following four priorities.

## **Climate, Nature, Human Rights, Governance**

Through these priorities, which in our view encompass the most material ESG issues and most pressing systemic risks, we aim to maximise the positive benefits we can achieve on behalf of our clients.

For each priority, this report takes a detailed look at one aspect in an extended article, taking into account the work and analysis we have undertaken over the year. We also offer case studies of our engagements, as well as those of the third-party fund managers we use and Columbia Threadneedle reo®, our engagement partner.



## Climate

Mass wildfires in Los Angeles in January, deadly heatwaves and floods across Europe over the summer and a category 5 hurricane devastating parts of Jamaica and the Caribbean in October. These were just some of the extreme weather events affecting many parts of the globe in 2025. The risks from climate change are real and

## Climate engagement programme

Climate change remains one of the greatest threats to our planet and way of life. We are seeing more natural disasters and increased climate migration as parts of the world become increasingly uninhabitable. In the UK, our seasons are changing, plants are blooming at the wrong time<sup>1</sup> and rainfall levels are increasing<sup>2</sup>.

These changes, beyond the threat they pose to lives and homes, create significant risks for the companies in which we invest. For example, these could be physical – such as the increased chance of premises flooding or supply chain disruption – or transitional, as both policy and demand evolves to reflect changing physical risks and norms. Businesses with global footprints will also have to navigate different policy environments in the various countries in which they operate.

Over the past year, a rollback of climate policies led by the U.S., with knock-on effects across Europe and other western economies, has led to regulatory uncertainty. It has also led to heightened concerns about the potential for rising greenhouse gas emissions that may translate into higher physical climate risks in the future – even as a clean energy boom takes hold. Meanwhile, leaders have also contended with compounding pressures: challenging economic outlooks, the energy demands of a rapidly developing world, and a geopolitical landscape where world powers compete for resources and influence. Developing countries pursuing standards of living and economic growth, combined with emerging technologies like artificial intelligence, place unprecedented demands on global electricity systems. Energy security increasingly overlaps with national security, driving corresponding geopolitical moves. The cumulative effect has led to a notable shift, with climate action falling down the policy agenda in key markets.

For sectors positioned to fuel the transition, clear winners are emerging. Some clean energy technologies have proven practical and preferred, with underlying economics aligning well with decarbonisation imperatives<sup>3</sup>. Others have slowed as costs and uncertainties mount. However, for companies with transformatory transitions ahead, our interactions with investee companies have shown that regulatory uncertainty has left many leaders reluctant to invest in scaling supply chains and grow business areas crucial for the transition<sup>4</sup>.

or those who invest in high-emitting companies, the current global context creates real challenges. Political uncertainty and polarised investor attitudes have also made climate stewardship more difficult to navigate, particularly for entities operating across multiple jurisdictions. But amidst all these complications, our responsibility to our clients remains unchanged.

Our stewardship work remains thoughtful and grounded in the conviction that climate risk can be a material financial risk and must be actively managed across all investments as appropriate. This conviction underpins our Climate Engagement Programme.

### Program design

Our flagship project when it comes to climate is our annual 'Climate Engagement Programme'. Through this work we monitor the third-party funds in which we invest and their underlying exposure to climate related risks, particularly holdings in companies that are not aligned with the goals of the Paris Agreement<sup>5</sup>.

To identify such holdings, we use the Transition Pathway Initiative (TPI) dataset and question the fund managers that hold them. They are asked to explain their assessment of the climate related risks facing each flagged holding, their company-level stewardship efforts – including engagement, voting and escalation – and how this all fits into their investment thesis.

The answers we receive allow us to assess each fund house on its approach to climate. Using a structured framework, we evaluate the strength of its disclosures, policies and its ability to evidence real-world efforts and outcomes based on concrete risk frameworks. These assessments feeds into to our holistic fund selection process and manager oversight, which informs the recommendations given to our investment managers for their clients.

Beyond individual assessments, the programme allows us to benchmark managers against peers, identify leaders and laggards, track progress year-on-year, and have meaningful dialogue where needed. It has become a key tool in strengthening monitoring and encouraging more robust assessment of climate risk, largely through the feedback we provide to each fund manager at the end of each round.

1) UK plants flowering a month earlier due to climate change | University of Cambridge

2) Britain's relentless rain shows climate predictions playing out as expected - Connecting Research

3) Global clean power growth points to permanent shift, analysts say

4) Green hydrogen is growing — but not enough to meet the hype

impact the businesses in which we invest. Our case studies in this section will demonstrate our dedication in this area, through our Climate Engagement Programme and individual company engagements. Furthermore, our voting activity has consistently supported additional disclosure and action on climate change.

## What we are seeing

In the most recent engagement cycle over 2025, we engaged with 49 fund houses, covering 138 funds and over 80 flagged holdings.

Amid the mixed market signals of the past year, we noted that some fund managers jumped up the rankings while some had reduced their disclosures and exited climate initiatives. Some managers also shared their views on the increased risk of legal action linked to climate strategies, and the significant amount of geopolitical uncertainty. Overall, fund manager climate-related stewardship activities are much improved year-on-year, despite being somewhat diminished in terms of firm-wide strategy.

The breadth and depth of responses to our climate engagement have continued to improve. We observed stronger articulation of climate-related risk assessments, greater clarity around escalation frameworks and more concrete examples of outcomes, such as votes cast or engagement activities that led to changes in company behaviour. Encouragingly, managers increasingly treat this engagement, not as a compliance exercise, but as a part of an ongoing relationship.

However, the quality of responses remains uneven. Around 35% of fund managers did not disclose a defined climate strategy, in part due to internal shifts, and while engagement continues to be widely evidenced, direct escalation remains rare and inconsistently applied, raising concerns about follow through. We also saw withdrawals from collaborative initiatives such as CA100+, often without a concrete explanation or alternative strategy to tackle climate risk as a systemic issue in the absence of shared frameworks.

One of the more striking conclusions this year was that size does not seem to be a barrier to deepening climate efforts; smaller (even boutique) fund houses have demonstrated stronger ownership of climate risks and more considered responses than some of their larger peers. Similarly interesting was that thematic engagements on specific climate topics appeared to offer a more effective route to escalation than individual approaches. Notably, more managers now explicitly reference how they have acted on our feedback, underscoring the importance of consistent follow-up and the cumulative value of the programme over time.

## Looking Ahead

As the landscape continues to evolve, so too has the nature of our engagements. Now, in the fifth year of this work, we are seeing clearer distinctions emerge across the fund manager universe. As collaborative initiatives face headwinds in certain jurisdictions, we are placing greater emphasis on how managers act individually. What is becoming evident as we repeat our assessment each year is which firms have meaningfully embedded climate risk, and which require targeted encouragement.

Looking ahead, we aim to continue to refine our assessment framework to more clearly differentiate between policy-led efforts and real-world outcomes. We also intend to incorporate manager responsiveness to feedback and willingness to evolve into future scoring. For those stepping back from initiatives, we continue ongoing monitoring of their stand-alone approach. At the same time, we will continue to collect and share examples of strong work to inform our thinking and that of our third-party fund managers. We hope this will help to ensure that climate change and the risks it presents for our clients' investment returns remains a central focus of our stewardship approach, and forms part of our overall due diligence for third-party funds.

5) The overarching goal of the Paris Agreement is to hold "the increase in the global average temperature to well below 2°C above pre-industrial levels" and pursue efforts "to limit the temperature increase to 1.5°C above pre-industrial levels."

## Internal case study

**Asset class:** Equities

**Company:** BP Plc (BP)

**Theme:**

Governance, succession planning, activism and renewable energy

**Issue summary:**

BP has been a long-standing focus of our climate stewardship efforts, reflecting both its significance within client portfolios and its role as a bellwether for transition strategies among European oil and gas companies. Historically, the company has been viewed as a leader in the transition to a low carbon economy<sup>1</sup>.

During 2025, however, this positioning was called into question. Against a backdrop of persistent underperformance and activist shareholders appearing on the registry, BP announced a material shift in strategy, including increased spend on oil and gas and less emphasis on renewables<sup>2</sup>. At the same time, our concerns grew surrounding the ability of the Chairman, Helge Lund, to oversee the company effectively and engage meaningfully with shareholders. Following the chair's resignation, we provided input on the skills and experience required for his successor.

**Objective:**

We engaged several times over the course of the year and voted at the AGM. Discussions were largely shaped by the company's turnaround in strategy, the influence of activist shareholders, and the effectiveness of board oversight and quality of shareholder dialogue.

**Action:**

In early 2025, BP announced a material reallocation of capital, including a reduction in planned transition investment and an increased focus on oil and gas. This shift occurred before the prior strategy had been fully delivered, limiting the ability to assess its effectiveness and raising questions around strategic consistency and board oversight<sup>2</sup>. While management emphasised cash flow growth and returns, we and other investors sought greater clarity on how the revised approach would balance near-term financial priorities with longer-term transition risks. The answers were largely unsatisfactory.

A vote of significance this year was the re-election of the chairman. We had planned to vote against his re-election, to signal our dissatisfaction with the change in strategy – which we felt lacked engagement with shareholders – and the board's effectiveness in overseeing the delivery of the previous strategy. However, ahead of the vote, Mr Lund announced his intention to resign. With this information, after careful consideration, we decided to vote in favour of his re-election, so as to support an orderly succession.

Alongside our direct engagement, we contributed to a letter by the Investor Forum, which outlined the qualities and skills we expected of the new chair, which included a track record of meaningful shareholder engagement and experience of transformation in a previous role. Following the appointment, we engaged with the company to share our initial views and discuss key issues, including strategy and operational risks such as methane emissions.

**Outcome:**

Our engagement with BP remains ongoing and multifaceted. The chair succession process provided an opportunity to influence expectations around governance and oversight, while also supporting our aim of more targeted dialogue on strategy, capital allocation and climate-related risks.

We must ensure that we are working in the best interests of our clients, recognising the differing time horizons over which value and transition risks may materialise. We will continue to monitor, engage and vote in this way, and will continue also to report to our clients for whom BP remains a significant holding.

1) [BP's new boss is sincere on climate change - but can his goal be achieved? | Money News | Sky News](#)

2) [BP offloads US onshore wind business as it pivots back to oil](#)

## Internal case study

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**Asset class:** Equities

**Company:** Shell Plc (Shell)

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**Theme:**

Governance, remuneration, health and safety and renewable energy

**Issue summary:**

Shell is a significant holding for a number of our clients and one of our top holdings, and we therefore dedicate a substantial amount of effort to our stewardship activities to protect and enhance the value of our clients' investment. Shell, a European oil and gas company, has faced its share of challenges from certain shareholders; this year these have included its continued focus on liquified natural gas (LNG), and concerns over the structure of executive remuneration and incentives.

**Objective:**

To continue our ongoing engagement, maintaining a two-way dialogue that benefits both our clients and the company. We focused on strategy, the remuneration report and transition plans, and questioned issues including safety and the effectiveness of the board.

**Action:**

Shell's was an important shareholder meeting for us this year given the contentious items on the agenda including a shareholder proposal. For this reason, we also attended the AGM (virtually) in order to gauge the feeling of the meeting and see how the board reacted to questions. Of the agenda items, two stood out. We voted against the remuneration report due to concerns over changes in terms of structure and targets that, on balance, reduced rigour. For example, we do not believe that full long-term awards should be given for merely meeting transition targets, especially where carbon offsets were required in one case. We also questioned the inclusion of LNG as a way of measuring contribution to the energy transition.

Secondly, we supported a shareholder proposal that requested additional evidence of how Shell's targets on LNG are consistent with its climate commitments. In the past we have not supported shareholder proposals at Shell, believing them to be too prescriptive, but in this instance, we considered that the enhanced disclosures would serve shareholder interests, and were comfortable that the proposal was both reasonable and achievable. While we felt that the company was moving in the right direction, we were still uncomfortable with the assumptions it was making regarding demand for LNG and wished to reinforce the message to ensure improvements.

**Outcome:**

While the overall votes did not go our way at the meeting, we and other shareholders sent strong signals that management could not ignore. With over 20% of the votes in favour of the shareholder proposal, the company was required to engage with shareholders on the subject. This allowed us to engage with the board not just before, but also after the votes, to explain further our concerns on remuneration and provide concrete feedback in terms of areas for improvement on LNG disclosures and overall board effectiveness. We will continue to monitor how the company delivers on its commitments and future plans to improve the skillset represented on the board.

## External Fund Manager Case Study<sup>1</sup>

**Manager:** Evenlode Investment Management

**Fund:** Evenlode Global Income Fund

**Asset class:** Listed Equity

**Company:** Procter & Gamble

**Theme:**

Deforestation, supply-chain traceability and climate transition

**Issue summary:**

Between October 2024 and November 2025, the Evenlode stewardship team engaged with Procter & Gamble (P&G) on deforestation risk, upstream supply-chain traceability and climate transition planning. To achieve the outcome Evenlode engaged both directly as well as collaboratively.

P&G sources significant volumes of palm oil and wood pulp, creating exposure to regulatory, reputational and operational risks, particularly in the context of the EU Deforestation Regulation (EUDR) and increasing scrutiny of palm oil certification. Inadequate traceability at plantation level and reliance on mass-balance certification present potential risks to long-term brand equity, as well as potentially increasing compliance costs and threatening the security of supply.

**Objective:**

To evaluate P&G's preparedness for (the now further delayed) EUDR, assess the robustness of palm oil and wood pulp traceability, and encourage improved disclosure, certification and climate-related targets to support long-term value preservation.

**Action:**

Evenlode initiated the dialogue with a written engagement to the company in October 2024 to assess EUDR readiness. In parallel, along with other investors, Evenlode participated as a collaborator in a Climate Action 100+ engagement with the company, raising expectations on SBTi FLAG targets, the management of their scope 3 emissions, climate lobbying transparency and net-zero roadmap credibility.

Following on from this, in late 2025 the Evenlode stewardship team arranged a one-on-one call with P&G's Global Sustainability team to focus on Free Prior Informed Consent (FPIC) implementation, smallholder oversight, and palm oil segregation. Valuable insights into the company's monitoring framework were gained, including supplier sustainability requirements, in-field assessments, desk-based audits, satellite monitoring, grievance mechanisms and risk-management software. The engagement also covered structural traceability challenges in palm kernel oil due to commingling, time constraints and aggregation at mill level, predominately in Indonesia.

**Outcome:**

The company's Scope 3 footprint remains the biggest challenge, particularly as 85% of total emissions arise during the consumer use phase of products (largely from hot-water laundry). P&G is responding with innovations that enable cold-water washing and consumer education campaigns to shift behaviour. On deforestation, P&G maintained throughout the engagement that they would be compliant with EUDR timelines, despite changes to the regulation and delays to the implementation date. The company has not adopted a standalone FLAG (forest, land and agriculture) target, preferring to fold agricultural commodities into its broader supply chain goals. While traceability constraints remain for palm kernel oil, the company demonstrated ongoing efforts to improve certification standards, expand monitoring tools and pilot satellite tracking in key sourcing regions. Evenlode felt incrementally positive with regards to the company's approach to nature-based risks found in their upstream supply chain. The level of resourcing and engagement the issues were receiving was encouraging. The Evenlode team were also pleased to build a rapport with such a large corporate and will look to continue the dialogue on an ad hoc basis going forwards.



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## Nature

Nature loss continues to be high on the agenda, both for the stewardship team and for the investment managers who work closely with clients. With more than half of global gross domestic product (GDP) dependent on nature in one way or another, the loss of species and natural environments pose a systemic risk to the global economy.

## Deforestation

Reversing nature loss and biodiversity decline by 2030 is considered a vital element of protecting the world's ecosystems from irreversible damage and makes up a key part of the Kunming-Montreal Global Biodiversity Framework, signed at the 2022 UN Biodiversity Summit (or 15th Conference of the Parties to the UN Biodiversity Convention, COP15)<sup>2</sup>. However, over the past 50 years, monitored wildlife populations have declined by an average of 73%<sup>3</sup>, despite an increased focus on nature preservation over the past decade. Nature loss has become as, if not more, important and urgent as climate change, and something that as investors we take very seriously.

A recent UK government paper states, with high confidence that Global ecosystem degradation and collapse threaten UK national security and prosperity<sup>4</sup>. We will continue to monitor and engage whenever we can.

Deforestation is one significant driver of ecosystem decline. Since 2001, the world has lost 13% of global tree cover – that's a total of 520 million hectares, or approximately 520 million rugby pitches, and has contributed to the population decline we are seeing across species worldwide. Of this figure, 34% resulted in permanent deforestation, much of which is due to shifting the use to agriculture<sup>5</sup>. Land use change, often synonymous with deforestation, can have devastating consequences. By converting ecosystems that operate as 'carbon sinks' to fields used for monoculture (soya or palm oil are the most well-known culprits) or grazing cattle<sup>6</sup>, emissions are increased and habitats are destroyed. Increasing demand for red meat across the world, coupled with the high use of palm oil in consumer goods, means this issue is relevant to many of the companies in which we invest<sup>7</sup>.

### Too little, too late?

It has been encouraging to see companies adopting a no deforestation approach to their supply chain over the past decade, led in part by consumer preferences and climate change goals. While this has contributed to a notable decrease in the rate of deforestation or land use change in the Amazon, in many cases enough damage has already been done to the wildlife and native species that have been lost<sup>8</sup>.

To add to the complexity, despite the push from large companies and coalitions to keep supply chains free of deforestation, many communities rely on deforestation simply to make a living. They may require the land for grazing small herds or may be employed by organisations to carry out the actual forest clearing. Government policies too have a big part of play; in the last few years, for example, we have seen the deforestation rates in Brazil fluctuate as the presidency has changed<sup>1</sup>, increasing as more accommodative policies are introduced, and vice versa.

Ensuring these communities are not disadvantaged or left behind is an important part of the just transition, defined by the International Labour Organisation (ILO) as "maximizing the social and economic opportunities of climate and environmental action, including an enabling environment for sustainable enterprises, while minimizing and carefully managing challenges." It has been encouraging to see some companies in the portfolios of our clients focusing on solutions such as regenerative agriculture, supporting farmers adopting more environmentally sustainable practices with guaranteed purchasing and committing to only work with suppliers operating without deforestation.

1) Protecting Nature Could Avert Global Economy Losses of \$2.7 Trillion Per Year

2) Convention on Biological Diversity

3) <https://www.wwf.org.uk/sites/default/files/2024-10/living-planet-report-2024.pdf>

4) [https://assets.publishing.service.gov.uk/media/696e0eae719d837d69afc7de/National\\_security\\_assessment\\_-\\_global\\_biodiversity\\_loss\\_\\_ecosystem\\_collapse\\_and\\_national\\_security.pdf](https://assets.publishing.service.gov.uk/media/696e0eae719d837d69afc7de/National_security_assessment_-_global_biodiversity_loss__ecosystem_collapse_and_national_security.pdf)

5) <https://www.globalforestwatch.org/dashboards/global/>

6) Impact of Supply Chains on Forest Resources | Deforestation & Commodities | GFW

7) Sustainable Beef: Protecting Ecosystems and Meeting Demand | World Wildlife Fund

8) Devastating Effects of Deforestation on Our Environment – Forestry.com

9) <https://www.bbc.co.uk/news/articles/cwypzdgwg1yo>

A 2021 World Bank report estimates that protecting nature could avoid a global GDP decline of \$2.7 trillion<sup>1</sup> annually by 2030. Given this it is important for long-term investors to understand nature-related risks and opportunities.

### Investor action

The investor community has largely grasped the urgency and risk that comes from nature loss and biodiversity decline. Nature Action 100, an investor initiative launched in 2023 with more than 240 members representing \$30 trillion in assets – including us – is the biggest collaboration on nature and has the goal of supporting greater corporate ambition and action on tackling nature and biodiversity loss. Its benchmark, released late 2024, showed a worrying lack of commitment from the 100 companies in sectors deemed systemically important in reversing nature and biodiversity loss by 2030.

Last year, alongside the ongoing monitoring of the companies in our clients' portfolios, we successfully engaged with Unilever and Nestle. This followed the publication of an article alleging a supplier in their supply chain was undertaking significant deforestation in orangutan habitats in Indonesia. Our engagement led to the article being corrected, as Unilever was able to confirm no links with the supplier in question. At the same time, Nestle are taking action to remove the identified company from their supply chain and understand why it was not picked up earlier.

Procter & Gamble was also highlighted in the above-mentioned article. This is a company that we are indirectly exposed to as it is widely held by our fund managers. Therefore we reached out to ask for its take on the situation and if they have engaged. We

received strong responses, demonstrating many of our managers' engagement capabilities and understanding of the issues. Overall, managers remain comfortable with Procter & Gamble's approach on deforestation, and we were pleased to see their stewardship, ESG integration and assessment in action.

Not content with only reactive work, last year we also proactively assessed the listed companies within our stewardship process, in order to understand their approach and exposure to deforestation. We found clear leaders whose practices stood out, including utilising their own monitoring technologies rather than relying on third party certifications. Laggards also emerged, without clear targets or transparent reporting. This may be just one part of the puzzle when it comes to the investment case for a company, but it already is or has the potential to become a material issue, creating unnecessary risks for our clients. We intend to use this research as part of our ESG integration, providing our analysts with one part of a well-rounded view of the risks and opportunities that are material to the companies in which we invest.

Nature loss, and deforestation in particular, poses a risk to many sectors, and we will continue to monitor and engage on this issue. Taking action now could make all the difference in managing risks and pushing for innovative ways of reducing biodiversity decline.

## External Fund Manager Case Study<sup>1</sup>

**Manager:** RBC Bluebay Asset Management

**Fund:** BlueBay Impact-Aligned Bond Fund

**Asset class:** Fixed income

**Company:** Bazalgette Finance Plc

**Theme:**

Water management, nature, biodiversity and public health

**Issue summary:**

Bazalgette Finance Plc is the holding entity for the infrastructure provider of the Thames Tideway Tunnel (Tideway), a sewerage initiative aimed at improving wastewater management in London, UK. The project involves the construction of a 25km tunnel under the River Thames, designed to intercept up to 95% of combined sewer overflows (CSOs) and divert the sewage discharges to treatment points. The company came to the public debt market during June with a new GBP250 million sustainability-labelled bond to support the project's ongoing financing needs.

**Objective:**

Individuals from the BlueBay fixed income investment team attended an on-site visit to the company in September 2025 to gain further insights into the project. Representatives from Tideway's treasury, corporate responsibility and operational teams were in attendance. The trip included visits to two project sites, Heathwall Quay and Effra Quay, where BlueBay attendees observed the project's progress and learnt about the impact on local communities and biodiversity.

Impressively, despite various engineering challenges, the project remained within its regulatory timeline and budget, even with costs rising due to the COVID-19 pandemic.

**Action:**

Share thoughts and insights on the company's sustainability practices, and how BlueBay's own sustainability investment practices utilises insights from ESG data providers.

**Outcome:**

Overall, the engagement provided valuable insights into the project's progress and its contribution to sustainable urban development. The lessons learned and the success of the development have created a blueprint for other complex projects globally, highlighting what UK engineering can achieve, especially in contrast to the negative publicity around schemes such as HS2 and certain nuclear initiatives. The visit reaffirmed the decision to invest in the June 2025 primary issuance for the fund.

In terms of the project's impact, since February 2025, the tunnel has already diverted 7.8 million tonnes of effluent for treatment, with ongoing testing to ensure optimal performance before the project is handed over to its ultimate operator, Thames Water. In addition to improving the water quality in the River Thames, other key benefits include enhanced biodiversity, achieved by replacing sections of concrete walls along the riverbanks with precast concrete panels featuring irregular patterns to create natural, habitat-rich surfaces. Furthermore, there have been positive socio-economic benefits, including the development of new public spaces along the river for use by local residents and tourists.

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## Columbia Threadneedle reo®: Engagement Provider case study<sup>1</sup>

**Asset class:** Equities

**Company:** Nestle SA

**Theme:**

From cocoa challenges to climate resilience in global food systems

**Issue summary:**

As the world's largest food and drink processing conglomerate, Nestlé's sustainability strategy faced scrutiny following leadership changes and increasing regulatory pressures, particularly the EU Deforestation Regulation (EUDR). With deforestation-free sourcing performance varying significantly across commodities - cocoa lagging at 46.4% compared to 93-100% for other commodities - we engaged to understand how sustainability priorities align with the new CEO's focus on core businesses. Rising commodity prices, tariffs, and regulatory requirements like EUDR created additional complexity for responsible sourcing strategies.

**Action:**

We conducted two engagements with Nestlé's environmental sustainability team and CFO through the Investor Policy Dialogue on Deforestation collaborative initiative. Discussions revealed Nestlé maintains a strong commitment to environmental sustainability despite leadership changes, with five-year planning cycles aligning with CSRD requirements. The company views EUDR positively, noting minimal additional costs due to decade-long traceability investments. Their comprehensive Income Accelerator program addresses cocoa smallholder challenges including regenerative agriculture, anti-deforestation, anti-child labor, and women's empowerment. The regenerative agriculture program exceeds 20% implementation targets by 2025, though we asked for more precise outcome targets. Nestlé leverages environmental sustainability programs for supply chain flexibility during commodity volatility, with real-time monitoring systems and supplier contract requirements.

**Outcome:**

Nestlé demonstrates advanced sustainability infrastructure which could provide competitive advantage during market volatility. Strong traceability systems position them well for EUDR compliance. However, cocoa remains a significant challenge requiring greater investment to improve lagging deforestation-free rates. We will monitor cocoa progress and re-engage later in the year to evaluate EUDR implementation and sustainability integration effectiveness.

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## Human rights

We believe a fundamental respect for human rights should exist in every company, as set out in the RBC Approach to Human Rights and the United Nations Guiding Principles on Business and Human Rights. As indicated by the Office of the High Commissioner on Human Rights (OHCHR), human rights, put simply, are the basic rights and

## Disability

While all elements of human rights are vitally important, as investors we must concentrate on what is within the scope for the companies we hold, and what poses the greatest risk to the value of our client's assets. This helps to focus us on what we should prioritise, and ultimately, what we can improve. We work with our ESG engagement partners Columbia Threadneedle reo and look where we can add value in our home market, given our greater knowledge of legislation and norms, and access to the UK companies in which we invest.

### One in four

In the 2023/24 financial year<sup>1</sup>, 16.8 million people were reported to have a disability, representing 25% of the total UK population. Within working-age people, 42% of those reported mental health as their primary cause of disability. This is a staggering statistic that underlines the importance of how companies treat those with disabilities.

There are many reasons why this is important. Beyond the obvious point that everyone deserves fair and equal treatment, companies with strong disability awareness are in the best position to attract and retain talent from the largest possible pool. Strength in this area can contribute to employee wellbeing and therefore loyalty, reducing turnover and the associated costs. Furthermore, the costs of discrimination can be great. It can lead to cases where compensation payments exceed £1 million, plus the reputation damage that comes with them.

### UK law and potential for change

The Equality Act 2010 in the UK requires employers to make reasonable adjustments for employees or job seekers with disabilities. This could include positioning their desk closer to a bathroom, providing tailored excel training or installing additional software on their computer. The Act covers areas including interview arrangements, terms of employment, pay and promotion, transfer and training opportunities. However, the law doesn't go much further, and therefore it is for companies to undertake their own research and decide how they attract, retain and treat employees with disabilities.

The previous government released its Disability Action Plan in 2024, and the current government has recently created an Independent Disability Advisory Panel, a group of 10 people with lived experience of disabilities. They will work directly with ministers on policies affecting disabled people and those with long-term health conditions<sup>2</sup>. We will monitor the outcomes of their meetings and determine if these will have any implications for the companies in which we invest.

1) The latest estimates from the [Family Resources Survey \(FRS\)](#), run by the Department for Work and Pensions (DWP), indicate that 16.8 million people in the UK had a disability in the 2023/24 financial year.

2) <https://www.gov.uk/government/news/from-lived-experience-to-lasting-change-disability-advisory-panel-begins-work>

freedoms that apply to all of us, and those that are most relevant in a corporate setting. This section explores topics including disability, modern slavery and healthcare.

### Assessing companies on disability

In 2025, we wanted to achieve a deeper understanding of the approach to disability in the companies we hold, with the expectation that laws may evolve in the future. Therefore, in order to identify potential risks to the companies, we have analysed the UK companies within our stewardship process to assess their commitment to disability. This included their industry association memberships, incidents and how their policies – both for themselves and their suppliers – reference disability. As we have done with other topics, we used the information to divide the companies into leaders and laggards.

We plan to hold an engagement campaign based on this data across 2026, reaching out to the companies we have analysed, regardless of their

ranking. We want to highlight where companies could be doing more, as well as reinforce strong practices. We appreciate that sometimes, those taking positive steps receive little feedback because they are not raising flags, and we do not want this to lead to complacency or rolling back on efforts because of the assumption that it's not needed.

Through this work, our hope is that we can enhance the approach of some companies and therefore improve the way people with disabilities can access the workplace. This, in turn, should reduce risk to the companies our clients are invested in, contributing to long-term financial returns.

## Internal case study

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**Asset class:** Equities

**Company:** Multiple

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**Theme:**

Modern slavery

**Issue summary:**

For the second year in a row, we participated in the Rathbones' Votes Against Slavery engagement. UK companies of a certain size are required by the UK's Modern Slavery Act 2015 to produce a Modern Slavery Statement that fulfils certain criteria including how they are working to ensure their supply chains and businesses are free of modern slavery.

**Objective:**

The aim of the Votes Against Slavery initiative is to bring together investors and highlight to investee companies whether their Modern Slavery Statement is compliant with the UK's Modern Slavery Act requirements. While the requirements of the Act are relatively minimal, we believe that not meeting them can suggest that a company is not taking the issue seriously.

**Action:**

As part of the initiative, we signed letters that were sent to seven companies highlighted as non-compliant by Rathbones. The letters, to companies within our own voting process, outline the issues found with the statement in each case and request remedial action.

**Outcome:**

All seven companies have now updated their Modern Slavery Statements and are compliant with the requirements. The majority of the other companies contacted by other investors are now compliant as well. Through these letters, and the engagement that followed, a clear message has been sent to these companies that non-compliance is not acceptable to investors.

## External Fund Manager Case Study<sup>1</sup>

**Manager:** Aegon Asset Management

**Fund:** Aegon Global Short Dated High Yield Climate Transition

**Asset class:** High Yield Bonds

**Company:** Marks and Spencer P.L.C. (Marks and Spencer)

**Theme:**

Social / Human capital management

**Issue summary:**

The company was targeted by ShareAction at the 2025 AGM to provide a report explaining how contracted staff were treated. While Marks and Spencer are well known for being a good employer, there is a gap in reporting as to how contracted staff are treated in terms of wages and working conditions.

**Objective:**

We were seeking to understand if they are paid the living wage and if not, what will be done to rectify the situation. This was a direct and collaborative engagement.

**Action:**

Ahead of the AGM we joined a group meeting with the company. The company was in the midst of a crippling cyber attack and therefore it was not the most productive meeting. Once the company had rectified the cyber attack, we approached them directly to understand why the company were reluctant to comply with the AGM request to provide a report on the issue and what the actual practices are with regards to the contracted staff. It appears that there are some of the staff that are paid above the living wage within the contracted staff that work in the UK i.e. Security and cleaning staff but there was limited information as to how this was dealt with in contracts and due diligence. The company has made decisions to increase access to benefits to this staff population to some of the benefits given to the directly employed staff further details will follow in the publications.

**Outcome:**

The company have undertaken to provide an update on investor conversations early in 2026 and will provide further reporting in the Annual Report 2026. Progress is being made with commitments to better report, the engagement remains on Milestone 3 until the publications are made.

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## Columbia Threadneedle reo®: Engagement Provider case study<sup>1</sup>

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**Asset class:** Equities

**Company:** Costco Wholesale Corp. (Costco)

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**Theme:**

Reactive health approach reveals gaps in food transformation strategy

**Issue summary:**

Costco, a leading global warehouse retailer, operates under a limited SKU model focused on price and quality. Its health and nutrition strategy is reactive, driven by member demand rather than ESG or nutritional frameworks. The company has no health KPIs, targets, or systematic evaluation of product health impact. Pharmacy operations remain transactional, and awareness of international health regulations is limited—creating potential compliance and reputational risks. However, fresh and organic categories are growing, indicating incremental alignment with consumer wellness trends despite the absence of health messaging.

**Action:**

We engaged Costco to assess its positioning within the Food System Transformation theme and encourage consideration of proactive health strategies aligned with ESG principles. Management confirmed that decision-making is sales-driven, with health-oriented products introduced only when member demand is evident. There is no structured process for improving nutritional quality or anticipating regulatory changes; adjustments would occur reactively if mandated. While the limited SKU model could simplify compliance, Costco has not leveraged this advantage to set health standards or influence supplier practices. Buying teams retain autonomy to test health trends locally, but expansion depends solely on sales performance. The company's ESG narrative remains focused on affordability and quality rather than health outcomes, signalling a gap between consumer wellness expectations and corporate strategy. Despite this, Costco's willingness to expand fresh and organic offerings based on demand provides insight into evolving consumer preferences and demonstrates a potential entry point for future health-focused initiatives.

**Outcome:**

Costco lacks a strategic health focus, limiting ESG upside under Food System Transformation. Its reactive stance increases vulnerability to regulation and investor scrutiny. Yet, growth in fresh and organic categories provides insight into shifting consumer behaviour and latent potential if scaled strategically.

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## Governance

Good governance is the cornerstone of a well-run company. Corporate governance encompasses the structure, effectiveness, transparency and general corporate behaviour of the board. Engagements in this space can include issues such as board effectiveness, remuneration policies, succession planning or independence amongst board members. With strong governance expertise on our team, we aim to identify governance practices that have room to improve, and engage in a thoughtful and knowledgeable manner as showcased in case studies throughout this report. Therefore, governance underpins all our engagement and voting activities as a cross-cutting theme. Our voting and monitoring processes are designed to identify governance red flags. The relationships developed by our analysts with their respective companies often facilitate timely engagements. Our engagements on governance issues are prime examples of stewardship as a means of protecting the value of our clients' assets.

## The case for diversity

Good governance underpins company performance, and as such it is one of our stewardship priorities. The FRC's Corporate Governance Code makes multiple references to diversity, and UK listing rules advocate for high standards to enable better oversight of efforts to include different aspects of diversity.

### Great expectations

For the past four years, we have communicated our governance expectations and voting intentions to investment trusts under our stewardship process. This has paved the way for enhanced dialogue and allowed us to be clearer in our priorities.

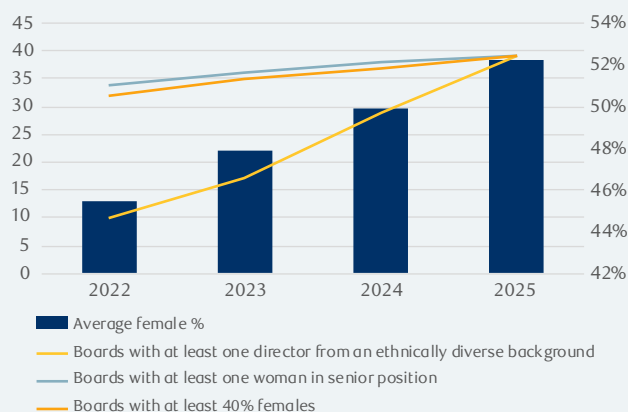
Meeting the UK Listing Rules' minimum standards on diversity, or explaining why not, is one of these expectations.

The rules set out minimum expectations regarding gender and ethnic diversity on boards, as key pillars of good governance. We also consider diverse backgrounds, education and experience important elements for board effectiveness. They create more dynamic conversations, challenge norms and cover more avenues and outcomes. We therefore do not see diversity as simply a box-ticking exercise, nor even just the right thing to do from a social point of view. It is demonstrably linked to better share performance and therefore better outcomes for our clients<sup>1</sup>.

Diversity has been part of many conversations with investment trust boards this year. We were pleased to note that in many trusts with less board diversity than required, real progress is being made behind the scenes. We do not encourage boards to grow unnecessarily to fulfil diversity requirements or hire a director whose skills and experience do not align with the needs of the trust. Rather, we encourage thorough

succession planning and recruitment processes that hold inclusion as an important element. Furthermore, we have learnt that investment trusts are actively working to improve the pipeline of diverse talent, by supporting initiatives such as Board apprenticeships, which provide opportunities to learn and gain board experience, enabling a wider range of individuals to take the step and become a director.

Upon examining the board make up over the past four years for the Investment Trusts in our stewardship process, we see that their diversity has dramatically improved, and we hope and expect to see this trend continue.



The above chart outlines the success we have seen over the past four years. The yellow bars show a strong and consistent year on year increase in the percentage of female board directors, which is coupled with increases to the number of women in senior board positions and directors from ethnically diverse backgrounds. Our conversations have paved the way for better mutual dialogue and contributed to the progress.

<sup>1</sup> <https://www.mckinsey.com/featured-insights/diversity-and-inclusion/diversity-matters-even-more-the-case-for-holistic-impact>

## Internal case study

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**Asset class:** Private Equity

**Company:** Anonymous (engagement ongoing)

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**Theme:**

Poor oversight and escalation through shareholder engagement

**Issue summary:**

A closed-end trust investing in a concentrated portfolio of late-stage high-growth private companies, experienced significant performance deterioration due to valuation write-downs and low realisation activity. This triggered a persistent discount to Net Asset Value (NAV), signalling a potential breakdown in market confidence. We also questioned the ability of the manager to navigate challenges to the macro-environment. Key governance concerns over the last two years included weak valuation transparency, misaligned manager incentive structures, and insufficient board accountability mechanisms. Despite escalating shareholder concerns, the board's response remained delayed and reactive.

**Objective:**

Engagement throughout 2025 focused on securing board commitment to an earlier continuation vote as a critical accountability mechanism that would either validate the investment strategy or initiate an orderly asset realisation. The engagement aimed to restore shareholder confidence through transparent governance and proactive decision-making.

**Action:**

The board remained reluctant to introduce an early continuation vote at a sufficiently decisive stage. We sustained multi-channel engagement over an extended period, including direct meetings with board members, written correspondence outlining concerns, and collaboration with other shareholders to amplify messaging. We continued to emphasise the need for timely board responsiveness to shareholder signals prior to any new investments.

**Outcome:**

After repeated engagement the board shifted toward a new investment policy, aiming for an orderly realisation of assets and the efficient, timely return of capital over a three year period – a strategy we were comfortable supporting. We noted that accountability improves measurably when shareholders engage directly on governance and operational oversight and we will continue to monitor the delivery of the realisation strategy.

## Columbia Threadneedle reo®: Engagement Provider case study<sup>1</sup>

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**Asset class:** Equities

**Company:** Smith & Nephew PLC

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**Theme:**

Strengthening governance and accountability during strategic transformation

**Issue summary:**

Smith & Nephew PLC is a global medical technology company that plays a crucial role in healthcare delivery through its orthopaedics, sports medicine, and advanced wound management products. We engaged with the company to assess its governance practices during a period of significant transformation, particularly focusing on how board oversight and management accountability mechanisms support sustainable long-term value creation. The company has faced public pressure from activist investor Cevian Capital to split up the business, raising concerns about the potential impact on its sustainable healthcare mission and stakeholder relationships. Strong governance and clear strategic direction are essential to maintain focus on sustainable operations while managing these external pressures.

**Action:**

We engaged with the CEO and CFO following their full-year results announcement to evaluate governance effectiveness and strategic sustainability. The management team has implemented significant changes to strengthen accountability and created a more performance-driven culture, with particular emphasis on sustainable business practices and long-term value creation. The company's remuneration policy, which we supported at the last AGM despite some controversy, has proven effective in aligning management incentives with sustainable business objectives. The Board, led by Chair Rupert Soames, has demonstrated strong oversight of the transformation strategy while maintaining focus on stakeholder interests. The company has improved its operational practices and strengthened accountability within business units, though forecasting capabilities could be improved. Importantly, the management team remains committed to their integrated business model, which they believe better serves their clients and supports sustainable innovation.

**Outcome:**

Smith & Nephew has made meaningful progress in strengthening its governance framework and cultural transformation while maintaining focus on sustainable business practices. The Board's robust oversight and management's commitment to stakeholder interests provide confidence in their ability to execute their strategy sustainably but are keeping all options open. While activist pressure continues, the company's improved performance and strengthened accountability mechanisms suggest they are on the right path. We will continue to monitor the company's operational performance and implementation of governance improvements further engagement with the Board Chair will be held in the near future.

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## Progress and looking ahead

We have continued to make progress over the course of 2025, enhancing our stewardship approach and commitment through our processes, priorities and transparency. Our work in 2025 has been guided by our stewardship priorities: climate, nature, human rights and governance. While these are issues that require multiyear engagement programmes, we are pleased with the progress made across all priorities as demonstrated in this report.

The process we follow for monitoring our third-party fund managers has gone from strength to strength. We monitor all aspects of stewardship at these funds, from their voting to their proactive engagement and climate approach which has been invaluable in developing a full picture of each manager. Furthermore, we have used targeted analysis of environmental sustainability issues within our direct holdings to uncover specific risks and opportunities, alongside existing work on our climate and nature watchlist.

Going into 2026, our work will continue to be guided by what is best for our clients, protecting the value of their assets and striving for outcomes that can benefit all of society, which in turn affects our clients. We are proud of what was achieved in 2025, and through continued assessments, engagement and voting, we aim to further this work in 2026. Some of our priorities for the year ahead include piloting pass through voting for select index managers, making progress with our disability engagement and furthering the link between climate and nature in our analysis and engagement dialogues.



# Appendix

## Stewardship Code 2026 Principles

<b>Disclosures for asset owners and asset managers</b>	<b>Page</b>
<b>A: Organisation, investment beliefs and stewardship approach.</b>	
- Policy and Governance Disclosure	3
- Activities and Outcomes Report	7, 8, 12
<b>B: Governance and resources.</b>	
- Policy and Governance Disclosure	4, 7
<b>C: Policies, processes and review.</b>	
- Policy and Governance Disclosure	4
<b>D: Conflicts of interest.</b>	
- Policy and Governance Disclosure	4
<b>E: Dialogue with clients and/or beneficiaries.</b>	
- Policy and Governance Disclosure	7

<b>Principles for asset owners and asset managers</b>	<b>Page</b>
<b>1: Integrating stewardship and investment.</b>	
- Activities and Outcomes Report	8, 16-17, 18-19, 20, 25, 26, 32-33
- Policy and Governance Disclosure	8
<b>2: Promoting well-functioning markets.</b>	
- Activities and Outcomes Report	16, 21, 22, 38, 42
<b>3: Engagement.</b>	
- Activities and Outcomes Report	12, 14-15, 16-17, 28-29, 38, 42-43
- Policy and Governance Disclosure	10
<b>4: Exercising rights and responsibilities.</b>	
- Activities and Outcomes Report	9 – 10, 15, 28-29
- Policy and Governance Disclosure	11-12
<b>5: Selection and oversight of managers.</b>	
- Activities and Outcomes Report	16-17, 18-19, 26-27, 33
- Policy and Governance Disclosure	9
<b>6: Monitoring service providers.</b>	
- Activities and Outcomes Report	12
- Policy and Governance Disclosure	7



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