

VOTING AND ENGAGEMENT ACTIVITY

Welcome to your Quarterly Report's Engagement Activity section. We engaged with several companies over the quarter, examples of which we give below:

Anglo American: In November 2020, we engaged with Anglo American by virtual meeting and also by writing a follow up letter to the group's Chairman on the group's thermal coal holdings. We raised our concerns with Anglo that their time frame (of at least 2.5 years) for demerging from their thermal coal assets is too elongated. We asked the group to speed up the sale of its Carrejon assets (which represent the majority of their thermal coal holdings) and link the group's climate transition targets more closely to pay and LTIP. We stressed that our clients are finding it increasingly difficult to justify holding companies with exposure to thermal coal.

Anglo noted our concern but said that it will take time for the group to prepare for the demerger, especially in light of various regulatory requirements in South Africa and the UK. In spite of this, Anglo does have an objective to be carbon neutral across its operations by 2040¹, goal posted by 2030 targets of reducing its GHG emissions by 30%.

To support its climate commitment, Anglo stated that it has a 20% weighting to SHE (social, health, environmental) in its bonus objectives. Within the group's LTIP, there is also a 20% weighting for ESG factors, which include metrics for energy efficiency and GHG emissions. Anglo expects to develop these metrics further so that they will be aligned with its 2030 commitments.

BAE Systems: We engaged with BAE in September and October 2020. In September, we spoke with the group's CEO and FD to understand better how Covid had impacted the group's growth trajectory. BAE has a strong order backlog and retains a positive sales mix. The group expects defence budgets to remain intact, regardless of increased fiscal pressures, especially as global threat levels continue to be high.

BAE has realised huge efficiency savings from procurement and manufacturing. And the ability to work from home makes attracting talent easier, as well. During the pandemic, BAE has seen some stress in its suppliers (auto and civil, in particular) but is monitoring these carefully. It will continue to grow high tech jobs.

In October, we engaged with BAE's Chairman who reiterated that the group's order book remains strong. We asked about any potential lapses in health and safety, given the pandemic but BAE assured us that these issues remain among the highest priority. The Chairman spoke about the importance of the development of data and AI and that this is a main focus for the strategy of the group.

Essentra: We spoke with Essentra in September on the group's positioning against a backdrop of Covid. Essentra stated they were continuing to generate cash and that their filters business and packaging for pharmaceuticals have been robust. In terms of components, the group continues to see a steady month -on-month recovery of volumes, with Asia most recovered and Europe and US

¹ <https://www.angloamerican.com/sustainability/environment/climate-change> ² Company call with CEO

further behind. The largest category exposure was down 50% in Q2 but has recovered to 'mid-teens' growth in Q4 as production activity rebounded².

In terms of the group's packaging products (boxes and labelling) to serve health and pharmaceutical customers, Essentra continues to see some reduction in demand due to the reduced volumes of elective procedures and drug prescriptions during the pandemic.

In terms of filters, Essentra continues to work on non-plastic, biodegradable options for which there is demand in China and Europe. The first three biodegradable products have launched and Essentra expects commercial opportunities to develop in 2021. Essentra needs to ensure that the consumer experience is not impacted with any newly designed materials.

Looking ahead, Essentra will pursue a transformational agenda with all three of its business areas. The group is reviewing its M&A opportunities, its strategy, and the most efficient positions across its business areas to ensure that all have structural growth potential. Essentra also plans to add ESG factors to its LTIP weightings to reflect its mindfulness of sustainability. It will do more work on its internal supply chain and on its sourcing of raw materials.

A.P. Moller-Maersk: In December, we spoke with Maersk, the Danish integrated shipping company, to find out more about the group's plans to reduce its carbon emissions. Maersk reported that because 97% of its Scope 1 emissions comes from shipping, the group has identified a pathway to carbon neutrality for its ships. Part of this pathway to carbon neutrality will come from identifying which fuel to use (it is likely to be either methanol or ammonia); the next step will be to spend two decades replacing its ships with more fuel-efficient versions. Maersk, along with five other groups, established an independent research institute in Copenhagen to research ways of reducing carbon emissions across the shipping industry. Maersk has integrated its sustainability programme into its business by making its business unit heads responsible for ensuring that sustainability targets are met. The group feels that this approach is better as its business units are solution oriented.

We also asked about Maersk's new start up, TradeLens, which automates customs paperwork, making it simpler for people to ship products and easier for shippers to manage the administration behind shipping. Maersk believes that there is considerable opportunity for this venture to grow and eventually become a company in its own right.

Rio Tinto: In September, we engaged with Rio on a number of issues. First, we asked about the group's concentration risk with iron ore and its strategy with regard to diversification. Rio reported its iron ore concentration is due largely to the current market price for iron ore. Rio aims to have a diverse enough portfolio (including iron ore, aluminium, copper, lithium, nickel and potash) to deliver what the market wants in 20 years' time. It sees diversification as difficult to achieve quickly. Attempts in the past to achieve this through acquisition have destroyed shareholder value, so the group is focusing on measured and organic projects.

Secondly, in terms of the group's carbon emissions from iron ore, we asked what steps Rio is taking to reduce these. Rio stated that it expects continued demand from iron ore, as steel consumption growth is between 1-2% per annum². As such, it is looking at hydrogen and carbon capture and storage (CCS) as possible options for reducing its emissions.

Thirdly, we asked Rio about the prospect for steel in a world that is shunning the environmental impacts of mining and heating iron ore to make steel. Rio feels that it is hard to predict the impact of the market's environmental concerns on the steel industry. There is some concern that the world can't continue to urbanise by using only scrap (or recycled) steel. Rio reported that the industry is looking at new technologies but none are yet cost effective or energy efficient enough to provide a solution.

Lastly, we asked Rio about the follow up from the Parliamentary inquiry on Juukan Gorge where Rio destroyed a 46,000 year old Aboriginal site in May this year. The inquiry found that new information came to light in 2014 and that Rio didn't act on it when planning their blast zones. Rio also thought the artefacts had been removed from the site, so it delisted the heritage site from its database as a protected area. This event was a failure in Rio's systems and its group culture. To resolve the issue, Rio planned in September/October to take 30 days to elevate heritage sites to the level of health and safety (the highest level) on its databases and monitoring systems. It also planned to respond to the Parliamentary inquiry.

Royal Dutch Shell: In November, we spoke with Shell's new Remuneration Committee Chair about the link between remuneration and the group's strategy and environmental goals. Shell began by saying that, due to the volatility of the market in 2020 and the effects of the pandemic on oil prices,

² <https://news.metal.com/newscontent/100077026/rio-tinto-iron-ore-and-steel-demand-to-see-modest-growth-until-2030>

it would not pay bonuses to employees or executives for 2020, nor would it adjust salaries in 2021 for the majority of the group.

Shell then spoke about linking its carbon transition efforts to pay. The group's goal is to reduce the carbon intensity of its products as well as reduce its total carbon emissions that come from its operations, from a baseline of 2016.

To do this, Shell will need to offset the carbon emissions of all the products that it sells.

In 2017, Shell began linking pay to energy transition in its LTIP. In 2019, the group increased its weighting for energy transition to 10% (in addition to its 10% weighting for safety) and some of its competitors began to follow suit. Each LTIP plan encompasses 3 years of the group's energy transition. Along the way, Shell needs to grow its business and provide more biofuels so customers can decarbonise (it is currently a leader in biofuels). It also needs to find way of sequestering carbon and storing it to get it out of the atmosphere, which means making some difficult, long term capital expenditure decisions.

Importantly, Shell feels that it is critical to have a genuine pathway in place to meet its ultimate goal of net zero carbon emissions. It also believes it is important to establish the correct short-term targets to ensure it is on the right path to net zero and is focused on doing so.

Tesco: In October, we met with Tesco's CFO to discuss the group's online economics, supplier relationships, and its impressive improvements in its Clubcard loyalty programme over recent months. In terms of Tesco's online business, the economics improved over the six months to October this year. Tesco's online delivery slots couldn't keep up with demand (slots grew from 600K to 1.5 million per week) and now the group no longer sees significant margin dilution from online vs in-store. Tesco plans to build new urban fulfilment centres over the next three years which should help online economics further. The group has reduced the number of ways that it works with its suppliers to streamline the process. It encouraged suppliers during the early months of Covid to rethink how they put products on promotion so that price reductions could last longer. This approach has worked well with customers and suppliers alike—the supplier viewpoint score for Tesco is not only favourable, it's at an all-time high³.

Tesco has also made improvements in its customer loyalty Clubcard scheme. Around 1.1 million customers shopped more loyally with Tesco between April and August, which is a quantum shift in the grocery business. Covid helped push customers towards larger shopping baskets and also to purchasing online. The group is getting good response from customer on its Clubcard pricing and plans to reinforce loyalty, going forward, with other initiatives.

³ <https://www.tescopl.com/news/2020/interim-results-202021/>

VOTING RECORD SUMMARY

Please see below a breakdown of the meetings and resolutions which pertain to your portfolio. Majedie's Proxy Voting Principles document can be found on the Responsible Capitalism section of our website.

SUMMARY	VOTES	PERCENT
Number of meetings voted at this period	30	
Number of resolutions	310	
Where we voted in line with Management	301	97.1
Where we have not voted in line with Management	9	2.9

Source: Majedie, ISS (Institutional Shareholder Services)

The table below is a breakdown of the number of resolutions where we have either voted against Management or abstained.

CATEGORY	AGAINST MANAGEMENT	ABSTAIN
Antitakeover Related	0	0
Capitalization	0	0
Directors Related	1	0
Non-Salary Comp.	2	0
Preferred/Bondholder	0	0
Reorg. and Mergers	1	0
Routine/Business	5	0
Social Proposal	0	0
Total	9	0

Sources: Majedie, ISS (Institutional Shareholder Services)

VOTING RECORD DETAILS

SECURITY NAME	MEETING DATE	MEETING TYPE	MAJEDIE VOTE
ASSOCIATED BRITISH FOODS	04 Dec 2020	AGM	Against Resolution 13
AVEVA GROUP	24 Nov 2020	EGM	Voted for all
BELLWAY	11 Dec 2020	AGM	Voted for all
BHP GROUP	15 Oct 2020	AGM	Against Resolutions 23, 24, 25
CASH FUNDS	23 Oct 2020	AGM	Voted for all
CVS GROUP	26 Nov 2020	AGM	Voted for all
DFS FURNITURE	13 Nov 2020	AGM	Against Resolution 2
DUNELM	17 Nov 2020	AGM	Voted for all
GRESHAM COMPUTING	30 Dec 2020	EGM	Voted for all
HARGREAVES LANSDOWN	08 Oct 2020	AGM	Voted for all
HAYS	11 Nov 2020	AGM	Against Resolution 14
HOTEL CHOCOLAT	27 Nov 2020	AGM	Voted for all
IDEAGEN	28 Oct 2020	AGM	Voted for all
MARLOWE HOLDINGS	11 Dec 2020	EGM	Voted for all
MEARS GROUP	25 Nov 2020	EGM	Voted for all
MJ GLEESON	03 Dec 2020	AGM	Against Resolutions 5, 10
NORSEMAN GOLD	30 Dec 2020	AGM	Voted for all
PZ CUSSONS	26 Nov 2020	AGM	Against Resolution 17
RWS HOLDINGS	09 Oct 2020	EGM	Against Resolution 1
RYANAIR	17 Dec 2020	EGM	Voted for all
SAGA	02 Oct 2020	EGM	Voted for all
SHAFTESBURY	17 Nov 2020	EGM	Voted for all
SOFTCAT PLC	10 Dec 2020	AGM	Against Resolution 13
STV GROUP	03 Dec 2020	EGM	Voted for all
TUNGSTEN	16 Oct 2020	AGM	Voted for all
UNILEVER	12 Oct 2020	Court	Voted for all
UNILEVER	12 Oct 2020	EGM	Voted for all
VOLUTION	11 Dec 2020	AGM	Against Resolution 13
WEIR GROUP	23 Nov 2020	EGM	Voted for all
YOUGOV	10 Dec 2020	AGM	Voted for all

Source: Majedie

