HARGREAVES LANSDOWN

STEWARDSHIP AND ENGAGEMENT REPORT

2024

CONTENTS

INTRODUCTION

In simple terms, engagement means actively talking to companies, fund managers, and policymakers encouraging them to adopt better environmental, social, and governance (ESG) practices, focusing on sustainability and improving transparency.

Delivering strong financial returns for our clients remains our top priority, and we see engagement as a powerful way to reduce risks, identify opportunities, and unlock value in our investee companies. Beyond financial performance, engagement can drive broader positive change – within individual companies, across industries, and in regulatory frameworks.

We exercise stewardship across three key roles: as a company, a fund manager, and an asset manager. Our commitment as a fund manager includes embedding ESG considerations into our investment process to identify sustainable businesses that contribute to long-term value creation. As a digital wealth manager, we empower clients by providing tools and insights so that they can make informed, ESG-aligned investment choices. Across all roles, we engage with companies to encourage responsible governance, transparency, and progress on material ESG issues.

Our approach to engagement is outlined in our Stewardship and Engagement Policy, a set of principles which shape our processes and guide our actions.

With our investment portfolios, where possible, we prefer to engage rather than exclude. Simply excluding companies from our investment universe prevents HL from helping them become more responsibly run enterprises. However, there are certain investments that our HL fund managers and appointed third-party managers will exclude when risks are deemed too high. These exclusions are covered in our ESG Investment Policy.

A FOREWORD BY

EMMA WALL
Head of Platform Investments

"With sustainable investing becoming an increasingly important priority for investors, this year we've focused on providing the tools and transparency needed to help clients make informed decisions.

One of our most significant advancements has been preparing for the new Sustainability Disclosure Requirements.

The introduction of sustainable investment labels on our platform sets a new standard in helping clients navigate the market with clarity and confidence, ensuring they can easily identify investments that align with their values.

To further support informed choices, we've bolstered the ESG risk warnings in our fund research, offering clients deeper insights into risks and opportunities that could impact their financial outcomes.

We've continued to build on our commitment to ESG integration across the business. In Active Savings, we have enhanced how we screen partner banks to ensure they meet responsible business standards. For our workplace pension offering, our continued enhancements in ESG integration have earned improved recognition from our Independent Governance Committee, reinforcing our dedication to delivering solutions that meet the expectations of today's investors.

I'm thrilled with the progress we've made and look forward to continuing to deliver investment solutions that help our clients achieve their goals."

TOBY VAUGHAN
Chief Investment Officer

"Reflecting on 2024, I'm proud of the significant progress we've made in our commitment to responsible investment at Hargreaves Lansdown. We published our first entity- and product-level Taskforce on Climate-related Financial Disclosures Report, designed with a client-friendly approach to help investors understand the climate-related risks and opportunities identified across our product range.

We also set an ambitious net zero target for our financed emissions, committing to halve our portfolios' carbon intensity by 2030, relative to 2019. To support this goal, we've strengthened our investment processes by embedding climate risk assessments and introducing a proprietary climate risk score, ensuring these risks are assessed and addressed more systematically.

Our efforts have been recognised through improved scoring in our PRI assessment, and we've gained valuable insights from our second Sustainable Investor Survey. This feedback is already helping us refine our engagement strategy to better reflect client preferences. Additionally, the enhancements made in our 2023 Stewardship and Engagement Report continue to highlight the impact of our work and reinforce our commitment to transparency.

Looking ahead, we remain focused on driving meaningful change through robust ESG analysis and active engagement.

Thank you for your continued trust in HL and our investment solutions."

OUR APPROACH

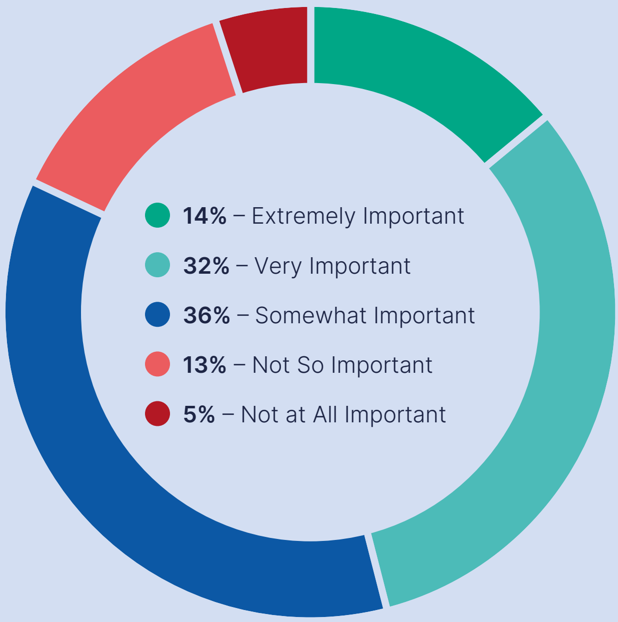
Our engagement approach is defined in our Stewardship and Engagement Policy.

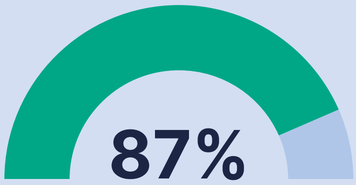
1. Define Priorities

We identify and prioritise key ESG engagement themes where we have the potential to drive meaningful positive change. Every two years, we survey clients to understand the issues our investors care about most, allowing us to focus our engagement on driving positive outcomes in these areas.

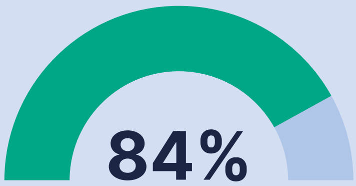
In our 2024 survey, 82% of our clients said they believe it's important that their investments reflect their ESG-related values.

How important is it that your investments reflect your ESG-related values?

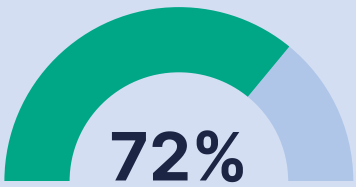




care about companies having good governance



care about companies' social resposibility

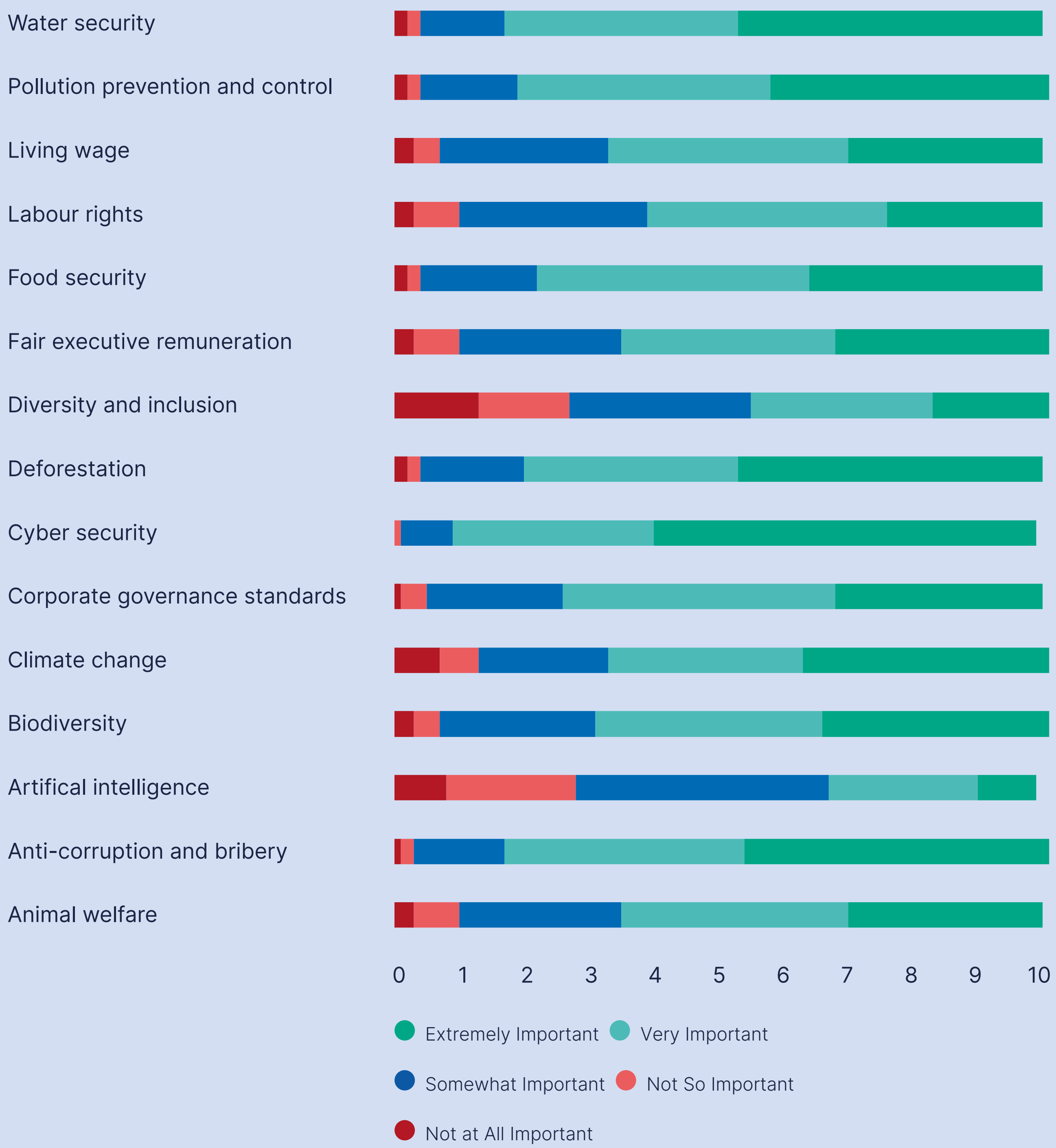


about the environmental impact of companies

Our 2024 survey was sent to 50,000 clients in December 2024, with a 3.4% response rate.

We asked clients to rank how important a range of environmental, social, and governance issues are to them.

How important are these ESG issues to you? (%)



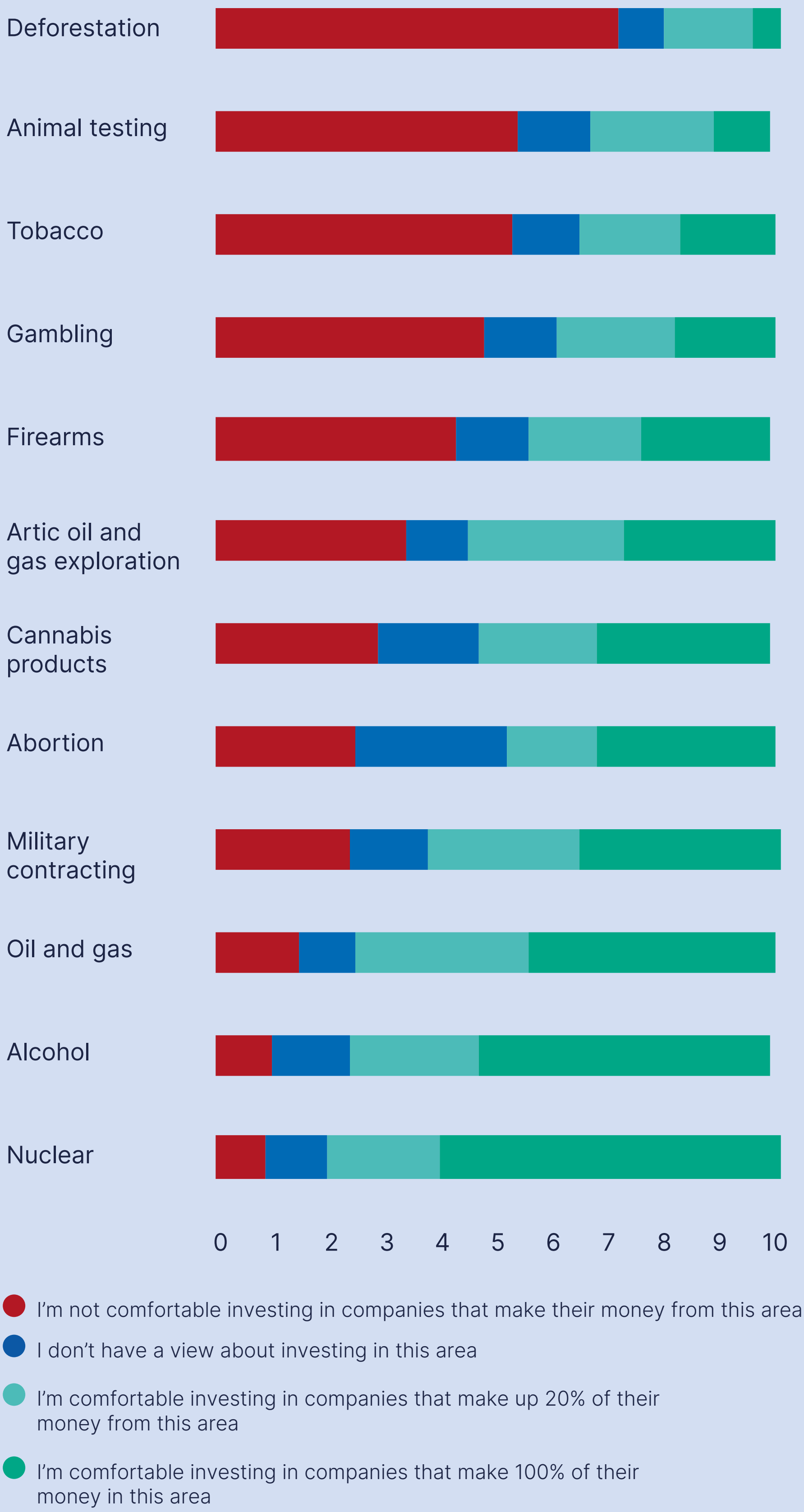
When asked which ESG issues HL should prioritise when engaging with investee companies and fund managers, clients identified climate change as the top priority. This was followed by corruption and bribery, pollution prevention and control, and cybersecurity.

41% of clients want HL to prioritise climate change when speaking with companies and fund managers

Our survey also asked clients how they feel about investing in companies involved in potentially controversial activities or industries.

Deforestation remains the top concern for our clients when it comes to investment exclusions. In 2022, 73% of clients expressed discomfort with investing in companies involved in deforestation, and in our 2024 survey, this sentiment remained consistent, with 72% identifying deforestation as their primary concern.

How do you feel about investing in companies involved in the following areas? (%)



After combining client input, our proprietary research, and aligning to HL's ESG strategy, we identified the following **3 engagement priorities: climate change, community relations, and remuneration**.

Climate change

At the forefront of our engagement efforts is the imperative to address climate change. We firmly believe that our investee companies should be championing environmental stewardship as well as setting and actively working towards net-zero commitments aligned with the Paris Agreement.

Not only do 41% of clients want us to prioritise climate change in our engagements, but by focusing on other client-identified issues like deforestation, pollution, and food security, we can address interconnected challenges and support meaningful climate action.

Our engagement aims to propel companies toward sustainable practices, driving emission reductions, limiting deforestation and biodiversity loss, and contributing to a low-carbon future. We believe these commitments will also contribute to long term sustainable investment returns.

HL'S COMMITMENT TO CLIMATE CHANGE

HL has set a net zero by 2050 target, aligned with the Paris Agreement, to limit global warming to well below 2°C. As a financial services firm, around 99% of our carbon footprint is attributable to our investments. We are targeting a 50% reduction in the weighted average carbon intensity of our investment-related emissions (Scope 3 financed emissions) by 2030, relative to a 2019 baseline.

Please refer to our Climate Transition Plan for more details on our targets and strategy.

We require the fund houses in our investment solutions to have a net zero target for 2050 at the latest. We would also like to see all our appointed fund managers take steps to reduce their Scope 3 financed emissions and/or offer decarbonisation pathways for their solutions.

We apply exclusions on companies engaged in activities that we identify as excessively harmful to the climate, specifically companies which generate 20% or more of their revenues from thermal coal power generation and extraction, and oil sands extraction.

These exclusions are applied across the HL Select Funds and the segregated mandates held within the HL Portfolio Funds and HL Portfolio Building Blocks. We will engage with fund managers who invest in companies that generate between 10% and 19.9% of their revenues from oil sands, thermal coal extraction or thermal coal power generation without a commitment to phase out these activities. We will review the investment thesis or direct the manager to sell the holding if we don't feel the engagement has the potential to be effective.

Deforestation is a significant driver of climate change, contributing to carbon emissions and threatening vital ecosystems. Recognising the interdependence between deforestation and climate change, we monitor our funds' exposure to deforestation risk on a monthly basis. We are committed to strengthening our understanding of this exposure and engaging with policymakers to advocate for more effective global standards.

We are committed to reporting our impact on the climate and disclose in alignment with the Task Force on Climate-Related Financial Disclosures (TCFD), Sustainability Accounting Standards Board (SASB) and Carbon Disclosure Project (CDP) frameworks.

Community Relations

Building on the belief that strong community relations are foundational to business success, our second engagement theme centres on nurturing meaningful connections between our investee companies and their communities. This focus aligns closely with client priorities, as 84% think it's important that companies support the fair treatment and well-being of their employees and communities.

This extends beyond financial considerations to encompass fair pay, living wage, engaging the local community with new planning projects, charity work, and paying taxes in the regions in which they operate. We also believe that businesses that operate in this way are more compelling investment opportunities.

HL'S COMMITMENT TO COMMUNITY RELATIONS

At HL, our mission to make saving and investing simple extends to fostering financial resilience and community well-being.

HL's Savings and Resilience Barometer, developed with Oxford Economics, analyses household financial resilience across the UK, emphasising our 5 To Thrive pillars. This insight helps highlight the importance of holistic policymaking to strengthen financial resilience on a national scale. Our Barometer Sounding Board includes representatives from Government, regulators, academics and industry participants.

In May 2023, we launched the Bristol Financial Resilience Action Group, a collaborative initiative now uniting 31 employers across various industries, collectively representing over 27,000 employees. This free programme equips organisations with tools to support their workforce's financial independence.

We also champion opportunities for young people and diverse talent through programmes like our Strive Internship and our participation in the 10,000 Black Interns initiative. Additionally, HL colleagues contribute through our Volunteering Scheme, offering over 2,730 hours annually to causes such as FareShare and the Bristol Sport Foundation, focusing on social mobility and financial resilience.

HL is committed to upholding human rights and combating modern slavery, guided by principles such as the Universal Declaration of Human Rights and the Modern Slavery Act 2015. We have a Supplier Code of Conduct, ensure compliance within our platform's terms of business, and embed these values in our Anti-Slavery and Human Trafficking Policy. Our Modern Slavery Statement and Human Rights Policy are publicly available on our website.

In our investment approach, HL applies exclusions on companies violating the UN Global Compact's ten principles, including human rights and anti-corruption standards. These exclusions are applied across the HL Select Funds and the segregated mandates held within the HL Portfolio Funds and HL Portfolio Building Blocks. We flag companies with significant community relations controversies, ensuring our investments align with both global benchmarks and our commitment to fostering positive societal impact.

Visit our Responsible Business hub to learn more.

Remuneration

Our third engagement theme underscores the significance of balanced and fair remuneration policies. This resonates with our clients, as 67% believe paying a living wage is very or extremely important, while 66% feel the same about fair executive remuneration.

Incentive structures should align the interests of executives with those of shareholders and other relevant stakeholders. This involves setting high financial hurdles and using appropriate metrics. Additionally, it ensures that corporate performance on social and environmental metrics helps to maintain the company's social license to operate.

Our forward-looking approach involves ongoing dialogue with companies and fund managers to better understand their remuneration policies and practices. We aim to advocate for balanced and fair compensation models that incentivise responsible business conduct and align managers' interests with those of shareholders.

Our focus is on the alignment of interests and incentivisation, not on limiting or determining a fair value of compensation for managers or executives.
By encouraging our investee companies to adopt responsible remuneration policies, we aim to contribute to the long-term vitality and stability of these organisations.

HL'S COMMITMENT TO REMUNERATION
HL has a clear, fair, and bias-free approach to pay and we operate on an equal pay basis across the company. We champion transparency, disclosing our Gender Pay Gap and Ethnicity Pay Gap on our website, and Executive Director Remuneration and the supporting strategy and Policy is disclosed in our Annual Report.

We are proud to be accredited by the Living Wage Foundation and we apply the Real Living Wage to all colleagues. As a member of the Bristol Living Wage City Action Group, HL advocates for fair pay practices within our region. Across our investment solutions, we carry out due diligence with all third-party managers, which includes considering whether they are incentivised in line with shareholder and client interests.

We look for incentivisation that has a clear link to medium to long term performance of the business and fund, as well as good client outcomes.

We believe pay should attract and retain talented executives. We aim to avoid pushing remuneration to levels that might result in our investee companies hiring less qualified individuals. That's why, when engaging with companies, instead of focusing on the level of pay, we focus on the structure of the incentive package, and how it's aligns interests to those of shareholders.

2. Engagement Triggers

At HL, our engagement strategy is a proactive process rooted in continuous monitoring and evaluation. Our ongoing monitoring processes include assessment of ESG scores, carbon intensity metrics and controversies monitoring. We investigate any material changes and engage with underlying fund managers or companies as required.

We have also initiated discussions with our third-party fund managers to understand their net zero strategies, how they manage stranded asset risks, and their approach to engaging on climate and nature-related risks within their portfolios. This dialogue not only serves as a trigger for engagement should their response be sub-standard, but also allows us to actively monitor and contribute to the decarbonisation of our portfolio.

As well as engaging on the priority themes, we will engage with companies and managers in line with the requirements of our ESG Investment Policy. For example, where we invest in third party funds, we don't have the power to apply exclusions. However, we will engage with fund managers who invest in companies that feature on our exclusions list to understand how they're managing the additional ESG risks associated with these companies, and any engagement that they've carried out.

We will also engage in response to specific events where necessary. For example, following geopolitical events, such as Russia's invasion of Ukraine, we promptly reached out to all managers with exposure to Russia, ensuring that risk management strategies were in place.

3. Engagement Approaches

Engagement is carried out throughout HL; from the investment solutions we offer to HL's funds. Our engagement techniques will differ accordingly.

Direct
HL Select funds

Delegated
HL Portfolio Funds and HL Portfolio Building Block funds

Collaborative
Climate Action 100+ and Investor Policy Dialogue on Deforestation

HL FUNDS
The HL funds are managed by our sister company, Hargreaves Lansdown Fund Managers Ltd (HLFM). HLFM has different fund ranges; HL Select, which are our managed equity funds, HL Portfolio Funds, and HL Portfolio Building Blocks, which are both funds of funds. In all cases, investment managers lead the stewardship activity within their portfolios with the support of the central ESG Analysis team. Engagement at the fund group or industry level is usually led by the ESG Analysis team.

HL SELECT
Within our Select range of funds, we can directly engage with underlying companies that the fund is invested in. We can communicate with the underlying company and management in relation to our engagement priorities. If we identify issues where we believe a different course of actions is appropriate, we will exercise our voting rights, where applicable. Where our holding is of a scale to make corporate access a realistic prospect, we will seek to engage. We engage in a variety of ways, such as corresponding with companies via email, holding meetings with investor relations teams, executives or Board representatives, alongside site visits. In all cases, we ensure that dialogue is consistent, direct and honest.

HL PORTFOLIO FUNDS AND HL PORTFOLIO BUILDING BLOCK FUNDS
The HL Portfolio Funds and HL Portfolio Building Block funds hold units in a large number of externally managed funds. For these funds, we take a different engagement approach than we do with the HL Select funds.

We engage with fund management teams of the funds we hold throughout the year to assess performance. Part of this process is to receive regular updates regarding their engagement approach and outcomes achieved by each fund group.

On an annual basis, we issue a dedicated ESG questionnaire to all of the fund groups we invest with to gain insight into their decarbonisation targets and strategy, climate-related engagement, and approach to understanding nature and biodiversity loss risk. Responses are scored and factored into our proprietary Fund House Dashboard which is an input to our investment decisions.

We engage with third-party managers to understand how they are engaging within their portfolio. Engagement may be over email or via virtual or in-person meetings with fund managers. We also have a number of segregated mandates in place with external managers where they manage portfolios of equities on our behalf.

For these mandates, we delegate engagement responsibilities to the external manager, though we retain the right to direct the manager on how to vote at our discretion.

COLLABORATIVE ENGAGEMENT
Through collaborative engagements, we join forces with other investors to increase our chances of success by increasing efficiency and enhancing power and legitimacy. These groups also facilitate building knowledge and skills by providing a forum for us to learn from peers and industry experts. In 2023, HL joined a range of collaborative engagement initiatives which allow us to engage with a number of stakeholders, from companies to policymakers. By maintaining these robust relationships, we actively contribute to shaping industry norms, regulatory frameworks, and sustainable business practices for the benefit of our investors and the broader community.

INVESTMENT SOLUTIONS
The Asset Management arm of our business includes our investment solutions, such as the [Wealth Shortlist] as well as our Workplace and Advisory investment solutions.

Our investment selection process for investment solutions requires us to meet with all fund managers held in our solutions, at least once a year, or more frequently where required.

ESG has naturally become a bigger part of those conversations over the years. Following each fund manager meeting, we consider whether the manager is fully taking account of the ESG risks applicable to their portfolio, and if they're supported to do so by the fund group they work for. We communicate our views to investors through our fund updates. We engage with these fund groups based on the engagement topics we've prioritised. This may be email or via virtual or in person meetings with fund managers.

GOVERNMENT AND POLICY ENGAGEMENT
Our commitment to responsible investing extends beyond company and fund manager level engagements. We'll engage with industry bodies, policymakers, and regulators too. We participate in industry forums, trade associations and working groups to share best practice and contribute to sector-wide improvements through groups such as the Investment Association and The Investing and Savings Alliance. Our active involvement with policymakers and regulators ensures our practices align with evolving standards, promoting regulatory compliance and advocating for responsible investment practices across the financial landscape. Engagement with policy change is always through the lens of how best we can support our clients and their financial resilience.

4. Engagement Principles

To ensure our engagement is effective, we define specific engagement objectives informed by our ESG data and supported by the ESG Analysis team. These are then shared with investee companies or fund managers.

We track progress against these engagement objectives over time. Engagement is prioritised based on the materiality of the issues being highlighted and alignment with the funds' objective. We use resources efficiently so that engagement coverage is as broad as possible whilst using all the tools available, including collective engagement. We focus our resources on areas where we think we can have a positive impact, our chances of success are higher, and on the topics that align with our investors' interests. This might include considering the size of holdings and the materiality of ESG factors.

We recognise that change is a process. We prefer to engage on longer-term, meaningful issues, but we will also engage on short-term issues that affect our clients' invested capital.

5. Escalation

If companies or fund managers fail to respond positively to our engagement, we will seek additional meetings, join collaborative engagement schemes, publicly engage (e.g., through an open letter) or by voting against board directors or the chair of the board, where appropriate.

Should this escalation fail to invoke meaningful change within a time period set by our engagement framework, fund managers of segregated mandates will face divestment.

For HL Select, should this escalation fail to invoke meaningful change within a reasonable time period we will review our original investment thesis.

Within our HLAM investment solutions, escalation ultimately results in the removal of the fund from the product.

ENGAGEMENT PROGRESS

Climate Change

We expect the fund houses in our investment solutions to have a target to be net zero by 2050 at the latest, covering at least Scope 1 and 2 emissions. Our ESG Analysis team has been engaging with those fund groups who are yet to make this commitment, monitoring their progress using our proprietary engagement tracker. As per our engagement approach, we've set out a two-year timeline for each fund house to set the required target before we consider divestment.

We are pleased that as of the end of 2024, all of the third-party funds and segregated mandates in our solutions are run by fund houses with a target for net zero by 2050 at the latest, covering at least Scope 1 and 2 emissions. Since implementing our Policy, we have successfully engaged with four fund groups who have later made a public commitment within our two-year engagement window.

> All of the third-party funds and segregated mandates in our solutions are run by fund houses with a target for net zero by 2050 at the latest, covering at least Scope 1 and 2 emissions.

Case study – Polar Capital

After adding a Polar Capital fund to our portfolios in December 2022, we initiated engagement with the asset manager to encourage the establishment of a net zero target covering at least the firm's Scope 1 and 2 emissions.

Outcome

Polar has committed to achieving net zero across its Scope 1 and 2 emissions in 2024. This commitment was detailed on the firm's website, ahead of the agreed engagement deadline. Polar has aligned its approach with guidance provided by the Science-Based Targets initiative (SBTi) for near-term and long-term net zero operational emissions targets and has modelled the necessary pathway to achieve these goals. It has also identified key emissions reduction initiatives and evaluated its potential impact to ensure meaningful progress.

Progress on our engagement-led decarbonisation strategy

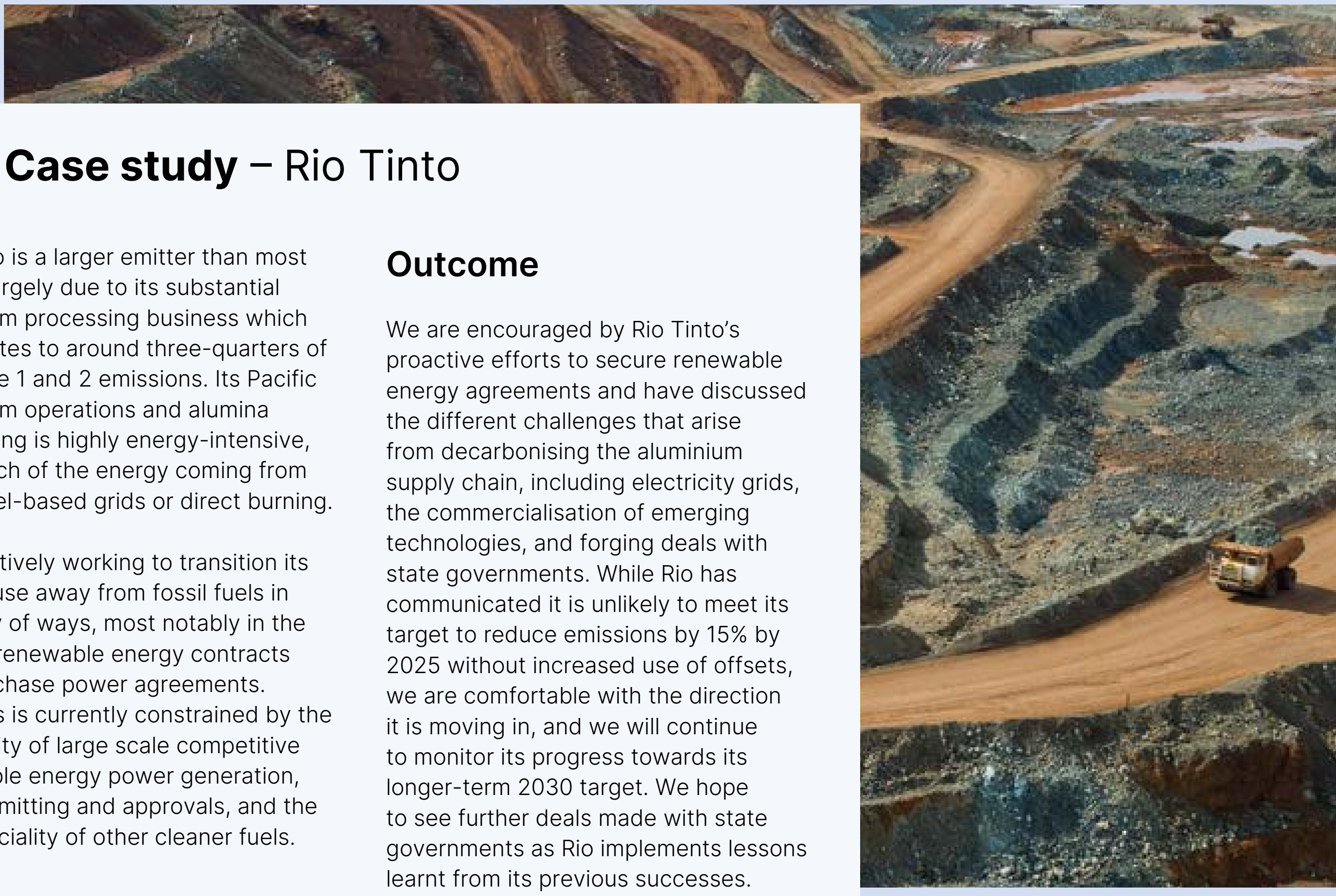
In 2024, HL committed to reduce the weighted average carbon intensity of our financed emissions by 50% by 2030, relative to a 2019 baseline. At the end of 2024, our portfolio's weighted average carbon intensity had fallen by 33%, relative to our baseline.

We have adopted a sectoral approach, concentrating on three of the highest-emitting sectors within our portfolio: utilities, materials, and energy. Collectively, these sectors contribute to approximately 70% of our portfolio's emissions.

Materials

The materials sector, which includes industries such as steel, cement, and chemicals, accounts for approximately 15% of global greenhouse gas emissions. These emissions stem from energy-intensive production processes and the widespread use of fossil fuels. Despite progress, the sector's transition to net zero remains challenging due to the need for breakthrough technologies, significant capital investment, and the development of sustainable alternatives. On top of this, geopolitical pressures, such as resource nationalism and trade tensions, are complicating access to critical minerals required for low-carbon technologies, potentially slowing progress toward decarbonisation.

Key engagement themes: Defining SBTi guidance for chemicals and hydrogen, addressing thermal coal usage, target setting, and ensuring a just transition



Case study – Rio Tinto

Rio Tinto is a larger emitter than most peers, largely due to its substantial aluminium processing business which contributes to around three-quarters of its Scope 1 and 2 emissions. Its Pacific aluminium operations and alumina processing is highly energy-intensive, with much of the energy coming from fossil fuel-based grids or direct burning.

Rio is actively working to transition its energy use away from fossil fuels in a variety of ways, most notably in the form of renewable energy contracts and purchase power agreements. Progress is currently constrained by the availability of large scale competitive renewable energy power generation, land permitting and approvals, and the commerciality of other cleaner fuels.

Outcome

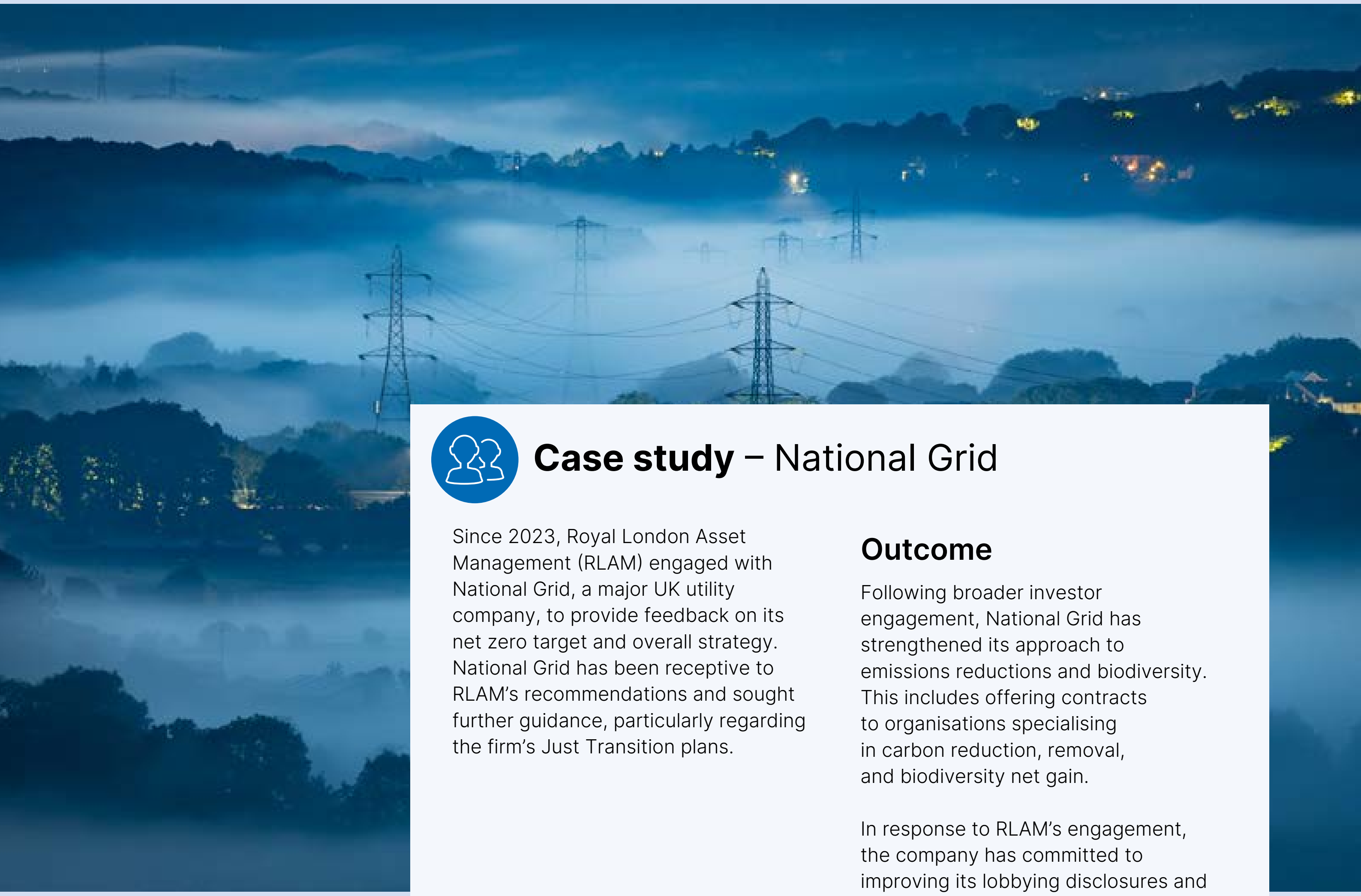
We are encouraged by Rio Tinto's proactive efforts to secure renewable energy agreements and have discussed the different challenges that arise from decarbonising the aluminium supply chain, including electricity grids, the commercialisation of emerging technologies, and forging deals with state governments. While Rio has communicated it is unlikely to meet its target to reduce emissions by 15% by 2025 without increased use of offsets, we are comfortable with the direction it is moving in, and we will continue to monitor its progress towards its longer-term 2030 target. We hope to see further deals made with state governments as Rio implements lessons learnt from its previous successes.

Utilities

The utilities sector plays a pivotal role in the global energy transition and net-zero ambitions, given its substantial contribution to CO_2 emissions from electricity and heat production. While the shift to renewable energy sources such as wind and solar offers transformative opportunities, the sector continues to face hurdles. These include managing grid integration for intermittent energy sources, enhancing energy storage solutions, and navigating policy uncertainties.

Geopolitical factors, such as Europe's ongoing energy crisis and evolving carbon pricing mechanisms, underscore the urgency of accelerating the transition to renewable energy while ensuring resilience and energy security.

Key engagement themes: Coal retirement strategies, target setting, capital expenditure alignment, and promoting a just transition.



Case study – National Grid

Since 2023, Royal London Asset Management (RLAM) engaged with National Grid, a major UK utility company, to provide feedback on its net zero target and overall strategy. National Grid has been receptive to RLAM's recommendations and sought further guidance, particularly regarding the firm's Just Transition plans.

Outcome

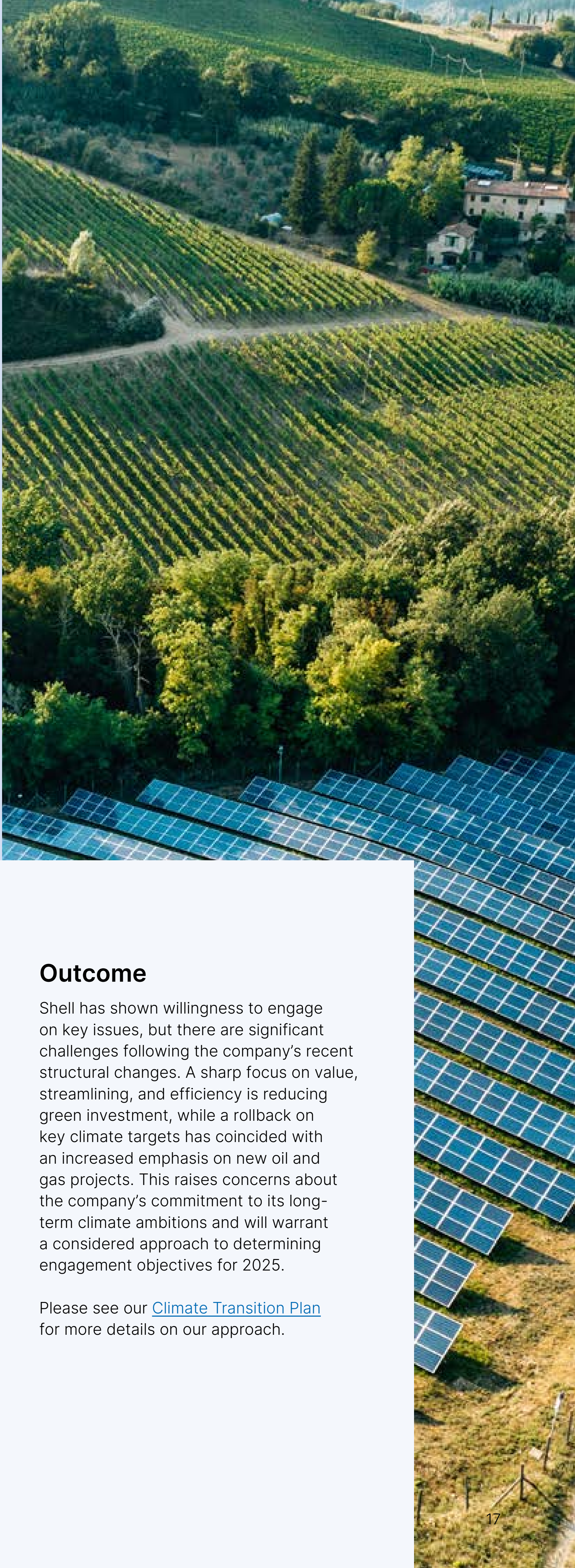
Following broader investor engagement, National Grid has strengthened its approach to emissions reductions and biodiversity. This includes offering contracts to organisations specialising in carbon reduction, removal, and biodiversity net gain.

In response to RLAM's engagement, the company has committed to improving its lobbying disclosures and is developing a Climate Transition Plan.

Energy

The oil & gas sector remains one of the largest contributors to global greenhouse gas emissions, primarily from the extraction, processing, and combustion of fossil fuels. As global energy demand persists, the sector faces increasing pressure to decarbonise. Technologies such as carbon capture, utilisation, and storage (CCUS), alongside methane reduction solutions, offer pathways to mitigate emissions but require substantial investment and scalability to become widely effective. In 2024, market volatility driven by OPEC+ supply constraints and fluctuating demand highlighted the critical need for long-term strategic planning to address both immediate challenges and the sector's broader net-zero transition.

Key engagement themes: Target setting, board oversight and governance, methane emissions reduction, lobbying disclosure, and capital expenditure planning.



Case study – Shell

Engagement with Shell through Climate Action 100+ focuses on aligning climate targets with the Transition Pathway Initiative 1.5°C degree pathway, improving disclosure of customer transition and 1.5°C degree alignment, and providing greater transparency on capital expenditure targets for renewable energy.

Outcome

Shell has shown willingness to engage on key issues, but there are significant challenges following the company's recent structural changes. A sharp focus on value, streamlining, and efficiency is reducing green investment, while a rollback on key climate targets has coincided with an increased emphasis on new oil and gas projects. This raises concerns about the company's commitment to its long-term climate ambitions and will warrant a considered approach to determining engagement objectives for 2025.

Please see our Climate Transition Plan for more details on our approach.

Community Relations

In assessing our portfolios against key community relations data points, we flagged the need to engage with a global tobacco company held in one of our HL Select funds.

Case study – British American Tobacco

Our ESG Analysis team has been meeting with senior members of British American Tobacco's (BAT) Investor Sustainability team over the past year to discuss concerns about under-age vaping and the possibility of incoming regulation as material risks to long-term shareholder returns.

Under-age vaping

BAT was unable to provide any quantitative data on underage use, citing the legal issues of surveying underage participants.

However, the company did identify a lack of regulation on flavours, packaging, product standards and retail licensing as the primary drivers of underage usage.

To mitigate this risk, BAT employs a self-regulation approach. This includes a marketing Code of Conduct that restricts the use of social media sites like TikTok and the use of younger models in ads. It also seeks to prevent flavours and packaging that may be attractive to underage users, avoiding dessert, fizzy drink and candy flavours.

In established retail chains, BAT's products are typically positioned next to alcohol and tobacco products, meaning they should be subject to strict identification checks.

BAT continues to work with regulators, advocating for market-wide regulation and stricter enforcement. BAT has appointed a Director of Corporate and Regulatory Affairs role to strengthen its governance on this issue.

It will be directly affected by the latest regulation from the UK Government which will ban the advertising and sponsorship of vapes, as well as restrict flavours, displays and packaging; disposables will also be banned.

Outcome

We agree with BAT that the industry needs tougher regulation. The global e-cigarette and vape market was valued at $36.41 billion dollars in 2024 and is forecast to rise to $1.12 trillion by 2037. While change must come from regulators, companies should also be proactive to ensure products are not attractive to underage users in the pursuit of market share.

We believe that BAT's approach to self-regulation means the company will be less impacted by potential changes in government regulation aiming to crack down on underage usage of tobacco products.

That being said, questions remain about whether BAT could be doing any more to avoid underage usage of its products, and we would like to see more evidence of its preventative measures having an impact. We'll therefore continue to engage with BAT on this issue in 2025.

We also engage with fund managers who have exposure to our exclusions list. Our exclusions on companies that are persistent violators of the UN Global Compact are applicable to the HL Select Funds and the segregated mandates held within the HL Portfolio Funds and HL Portfolio Building Blocks. We engage with third-party managers, where we do not have direct control and the exclusions are not applied, to understand their approach to managing the associated ESG risks and any ongoing engagement with the company.

Case study – RTX Corp

RTX Corp, formerly known as Raytheon Technologies, is an aerospace and defence company headquartered in the United States. We consider this company a violator of Principle 2 of the UN Global Compact because RTX Corp's weapons have been linked to allegedly unlawful strikes on civilian targets in Yemen, resulting in a high number of casualties. Principle 2 states businesses should make sure they are not complicit in human rights abuses.

iShares North American Equity Index

The iShares North American Equity Index fund, which is an index fund that we hold within our Multi Index range, currently invests in RTX Corp. The fund's investment objective is to track the performance of its underlying benchmark, which includes RTX as one of its constituents. Because neither we nor the third-party manager of this fund has the power to sell the investment, we engage with the manager to understand any engagement they have carried out with the company.

BlackRock Investment Stewardship (BIS) last engaged with RTX management representatives in April 2024 ahead of the company's annual general meeting (AGM). The aim of this engagement was to better understand the company's perspectives on a human rights-related shareholder proposal.

As a result of the engagement, BIS gained an understanding of RTX's processes in place for managing these issues. Specifically, RTX has a due diligence program for product sales involving potential human rights risks, as well as a Human Rights Council which plays a consultative role in higher-risk sales.[1] The Board's Governance and Public Policy Committee is also briefed on the company's human rights impact monitoring program.

RTX demonstrated that it has policies in place to address these issues and existing disclosures provide line of sight into the due diligence process in place to identify potential human rights risks associated with product sales. During engagement, BIS also shared feedback on areas where RTX can further enhance its overarching human rights-related disclosures beyond products and services to further help inform investors about their approach. BIS did not support the proposal, which received 5% investor support at the May 2024 AGM.[2]

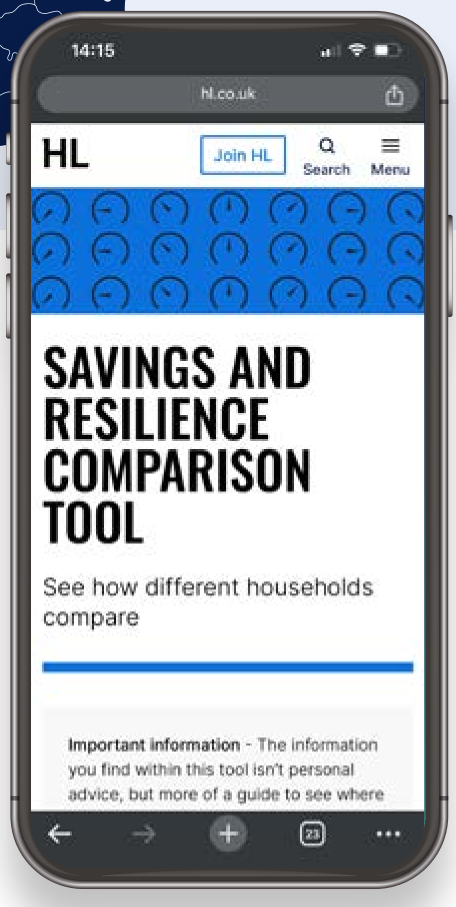
Outcome

We continue to monitor the engagement conducted by our appointed manager.

[1]RTX Corporation. RTX Human Rights Policy. 2023.
[2]RTX Corporation. Form 8-K. May 2, 2024.

Progress with HL plc community engagement efforts
HL actively collaborates within our community to improve information on financial resilience. Our [Savings and Resilience Barometer], which seeks to understand the population's resilience across debt, protections, savings, retirement and investment, is published every 6 months. Insights learnt, such as the fact the average pension saving gap has quadrupled since 2019, helps to drive our engagement with our local community.

Our Bristol Financial Resilience Action Group now includes 31 local employers, working to drive up the resilience of their 25,000 colleagues. This has included sharing HL's expertise as well as bringing other experts to speak to this group, from Stepchange, the debt charity, to those who broker group insurance products. Through this initiative, over 27,000 households in Bristol gained access to free financial education, while 1,300 households benefited from increased pension contributions.



Remuneration

At HL, we assess how investee companies and fund managers align their incentive structures with investor interests. This evaluation is a crucial component of our broader investment analysis, ensuring that our portfolio is aligned with sustainable practices and promoting positive outcomes for our investors.

Within the HL Portfolio Funds and HL Portfolio Building Block Funds, we assess manager incentivisation prior to the initial purchase and semi-annually thereafter. We favour strong equity interest in the business linked to performance (over a mixture of timeframes measured against an appropriate benchmark).

Within HL Select, remuneration is a key indicator in ensuring company alignment with shareholder interests. We feel capital allocation is the most important job of a CEO and Return On Capital Employed (ROCE), or equivalent, is a key driver of value creation longer term.

Case study – Rio Tinto

The company has been highlighted as high-risk in relation to climate and community relations. We believe that aligning executive remuneration with improvements in these areas can play a key role in addressing these challenges.

Due to the nature of its mining operations and especially its vertically integrated aluminium business, decarbonisation remains a challenge for the company, with necessary technologies still in their infancy and agreements with various governments on greener power access still ongoing. On the community relations side, severe controversies involving the destruction of cultural sites and environmental degradation have seen the company face undisclosed remediation costs and large fines.

Our ESG Analysis team met with the investor relations team in October to discuss these issues.

There have been changes to the company's remuneration policy since 2023, especially relating to incentivising positive action in decarbonisation and aligning this with the company's value creation strategy. Its long-term incentive plan (LTIP) has been raised from 400% of base salary to 500%, with the increase entirely linked to the achievement of decarbonisation objectives. 5% of the total LTIP is directly linked to the reduction of residual Scope 1 & 2 emissions, with a 10% cap on the contribution of nature-based offsets. Maximum payout, dependant on outperformance, is equal to reductions in line with the company's 2030 target. Nature-based offsets are not permitted if the company is to achieve the maximum payout.

Decarbonisation objectives do not include Scope 3 emissions reductions, where Rio is not directly in control of emissions. Instead, the company opts for decarbonisation R&D spending and project delivery metrics to measure investment in emerging technologies and new infrastructure, including a potential Scope 3 solutions spending metric.

Changes to the short-term incentive plan (STIP) now mean remuneration is split equally between financial and strategic performance categories. 10% of the total STIP is weighted towards the company's social license. Currently, the social license metric is determined via a reputation score provided by a third-party survey provider.

Outcome

We see the increase of the LTIP and its link to decarbonisation as a step in the right direction. However, we feel the weighting related to reducing residual emissions could be higher as it is the most objectively quantifiable metric and linked to reducing Scope 1 & 2 emissions (relative to a 2018 baseline), which are within its control. Additionally, there is room to discuss whether the maximum payout should be achieved for exceeding the 2030 target, as opposed to only achieving it. We also view the cap on offsets' contribution to the residual emissions metric at 10% as positive.

Clarity is especially important following the recent news that the company will likely miss its target to reduce emissions by 15% by 2025 without the increased use of carbon offsets. We encourage greater transparency and disclosure where possible for the other LTIP criteria that rely on qualitative scoring, especially when ranked according to so-called predetermined frameworks.

We would also like greater transparency on how the reputation score for the STIP is quantified, especially as the company's community relations have been strained in recent years following multiple severe incidents. We discussed the reputation score directly with Rio and expect to see more detail in the firm's next Annual Report as the tools and methodology evolve.

VOTING

Voting is an important way for investors to use their bargaining power to push for positive change and influence corporate behaviour on a range of issues.

Within our HL Select funds, we always seek to vote at meetings of the companies we invest in unless we're in the process of selling the position, and will do so in a way that's aligned with investors' best interests.

We may engage prior to the vote with the company concerned to better understand the situation and likewise encourage companies to take soundings from investors ahead of contentious votes. We tend to invest in well-managed companies so generally expect to vote in favour of the resolutions put to shareholders.

Within the HL Portfolio Funds and HL Portfolio Building Block Fund ranges, where we invest through segregated mandates, we delegate voting responsibilities to the appointed manager. We maintain oversight of the voting activities carried out via quarterly voting reports. We monitor a range of key statistics relating to our managers' voting activities to ensure they are acting as responsible stewards.

A flag will be raised if managers are not consistently voting on investors' behalf and if the manager is deemed not to be exercising their own judgement, evidenced through always voting with management and infrequently voting against proposals. Where the voting activity is not aligned with our expectations, we engage with managers to better understand their approach.

It's not just fund managers who can vote at company meetings though. Individual investors can too, and we've made it easier for shareholders to cast their vote using our online dashboard. Learn more on our website.

HL Select: our voting record

1 January 2024 to 31 December 2024

Votes in the general meetings of companies in which it holds shares.

Total number of meetings	**88**
Total meetings voted	**86**
Meetings with one or more votes against management	**18**

	Management proposals	Shareholder proposals	Total
Votes with management	1293	30	1323
Votes against management (including abstentions)	30	19	49

	Proposals voted	Votes against management
Audit related	124	0
Capitalisation	205	7
Company articles	6	0
Remuneration	142	14
Corporate governance	5	4
Director election	663	10
Director related	8	0
Environmental & Social	9	1
Environmental	9	1
Miscellaneous	5	0
Non-routine business	2	1
Routine business	93	0
Social	52	11
Strategic transactions	8	0
Takeover related	43	0

We do not vote on ETFs held for liquidity purposes. Exercising these votes could trigger trading restrictions, which would prevent us from quickly adjusting our holdings when necessary, undermining the flexibility and liquidity that we seek from these investments.

We voted against management on 49 occasions in 2024. Most of these related to remuneration or director election.

Voting case study: Climate change

Key examples from some of the most significant votes in the portfolio:

Unilever	**Meeting date: 01 May 2024**
Proposal	Shareholder approval of the company's proposed Climate Transition Action Plan.
Our view	Unilever's updated Climate Transition Action Plan is aligned with the 1.5°C ambition of the Paris Agreement and provides more detail on its intention to reach net zero by 2039. The firm's initial plan was approved in 2021, and this revised plan includes new Scope 3 emissions targets and a continued focus on absolute emissions reductions rather than offsets. We were pleased to see that the company's detailed transition plan includes clear targets and specific actions, supported by an appropriate governance and oversight framework. We also like that shareholders will have the opportunity to vote on the company's climate plan once every three years. While there is room for improvement in Unilever's transition plan – two notable emissions categories are omitted – we believe it represents significant progress and voted in favour of the plan.
Outcome	The transition plan was approved, with 97.6% of investors voting in favour.

Voting case study: Community relations

Amazon.com	Meeting date: 22 May 2024
Proposal	The Board of Directors should commission an independent audit and report into the working conditions and treatment that Amazon warehouse workers face, including the impact of its policies, management, performance metrics, and targets. This audit and report should be prepared at reasonable cost and omit proprietary information.
Our view	In its response to the proposal, Amazon's Board stated that the company's goal is to be the safest workplace in the industries it operates, and that incident rates have improved substantially in recent years. The Board also stated that it is transparent about workplace safety, both within its 'Delivered with Care' report and on its website. However there have been multiple reports of Amazon's warehouse employees being subjected to unsafe working conditions and unfair treatment, with some suggestions that employees have been injured more frequently and severely than elsewhere in the industry. Several state and federal investigations have found violations at Amazon, and Department of Justice investigation was launched to investigate "possible fraudulent conduct designed to hide injuries." We felt that negative media attention stemming from workplace safety incidents exposed the company to reputational risk and that investors would benefit from increased disclosure through third party auditing within Amazon's facilities. We therefore voted in favour of the proposal, against the advice of Amazon's Board.
Outcome	The proposal was defeated, with 31.2% of investors voting in favour.

Voting case study: Remuneration

AstraZeneca	Meeting date: 11 April 2024
Proposal	Shareholder approval of the company's remuneration policy.
Our view	AstraZeneca's proposed remuneration policy aimed to increase performance-related pay opportunities for Executives, including a potential bonus increase to 300% and a significant rise in the Performance Share Plan limit – up to 850% of salary for the CEO. The company justifies these increases by noting the growing complexity of its business and expanding operations in the U.S, which now accounts for a large share of its revenue. AstraZeneca's Remuneration Committee argues that these adjustments are necessary to retain and attract top talent amid global competition, particularly from the higher-paying U.S. market. We acknowledge AstraZeneca's rationale but believed the proposed pay adjustments were substantial, positioning the firm's Executive pay well above that found within other large businesses listed on the UK stock market. The existing package is also competitive amongst European pharmaceutical peers. In recognition of these concerns, we voted against the remuneration policy.
Outcome	The remuneration policy was approved, with 64.4% of investors voting in favour.

How we use proxy voting advice

Proxy voting is a nuanced and complicated area and while we make our own decisions on how to vote, we take advice from governance specialists Institutional Shareholder Services (ISS) about the issues underpinning individual votes. They have a long track record of monitoring and advising upon corporate governance best practice.

This arrangement allows us to take advantage of their detailed local knowledge of market practices around the world, which can be very different to UK norms, whilst retaining the final say on how we vote.

In most cases we would expect to vote in accordance with ISS's advisory stance, which we believe is well aligned with the standards of governance that we expect to see from companies. Our views will occasionally differ to those of our proxy voting advisor, and this can lead us to vote contrary to their guidance. Whenever we vote against ISS advice, a rationale is recorded.

For example, ISS recommended voting against the re-election of Anne Wolff, who sits on both the Audit and Nominating Committees at electric components business Amphenol Corporation. It suggests Wolff's spouse is a partner at a law firm which provided legal services to the company in exchange for a fee in 2023. Such ties could raise questions about Wolff's independence and lead to a potential conflict of interest. Amphenol Corporation stated that Wolff's spouse does not work on any company-related matters. We decided to abstain from the vote on the Director's re-election pending further analysis.

Conflicts of interest

In exercising our voting rights, or engaging with the companies we invest in, or the fund groups we invest with, we may encounter situations that raise actual or potential conflicts of interest.

Conflicts are managed in accordance with the HL Group Conflicts of Interest policy. Where conflicts are identified, they are recorded in the HL Conflicts of Interest Register, along with mitigating controls and responsibilities.

For instance, within our HL Select range, conflicts may arise if our funds hold voting rights in a competitor of HL or a company with a significant stake in HL. Our Stewardship and Engagement Policy ensures that votes prioritise the interests of fund investors. In most cases, our votes align with the recommendations of ISS, our independent voting advice provider.

If our views differ from those of ISS, our fund managers must annotate the ISS system with a rationale.

COLLABORATIVE ENGAGEMENTS

To effect change, often power comes in numbers. This is why we join collaborative engagements, where different investors come together to put more pressure on a company or sovereign in order to push for positive change.

Climate Action 100+

Climate Action 100+ is an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change, in line with the goals of the Paris Agreement. The group works to mitigate investment exposure to climate risk and promote the transition to a low carbon economy.

We are engaging with focus companies to ensure they:

1. **Implement a strong governance framework** which clearly articulates the board's accountability and oversight of climate change risk;

2. **Take action to reduce greenhouse gas emissions across the value chain**, including engagement with stakeholders such as policymakers and other actors to address the sectoral barriers to transition. This should be consistent with the Paris Agreement's goal of limiting the global average temperature increase to well below 2°C above pre-industrial levels, aiming for 1.5°C. Notably, this implies the need to move towards net-zero emissions by 2050 or sooner; and

3. **Provide enhanced corporate** disclosure and implement transition plans to deliver on robust targets. This should be in line with the final recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and other relevant sector and regional guidance, to enable investors to assess the robustness of companies' business plans and improve investment decision-making.

We have been a member of CA100+ since 2023, engaging with companies in the materials, energy, and utilities sectors. These sectors are central to our engagement-led decarbonisation strategy for our financed emissions. Being part of CA100+ allows us to amplify our impact through collaboration with other investors. By pooling shareholdings, we extend our influence and gain greater access to companies, holding them accountable for climate-related risks and opportunities. Additionally, CA100+ fosters invaluable knowledge-sharing among investor teams, enabling us to leverage collective expertise to address critical climate challenges.

The past year has been challenging from a climate governance perspective, with some companies shifting focus toward preserving value at the expense of green investments. Collaborative initiatives like CA100+ provide a critical support network, helping investors sustain influence and advocate for positive change during such periods.

Engaging with companies in these conditions is essential to ensure accountability for pledges made and progress toward targets. Even for companies without ambitions yet in place, CA100+ engagements focus on setting clear expectations and tracking progress, while adapting to the evolving contexts businesses face.

> “Collaborative initiatives like CA100+ provide a critical support network, helping investors sustain influence and advocate for positive change during challenging geopolitical periods.

Investor Policy Dialogue on Deforestation

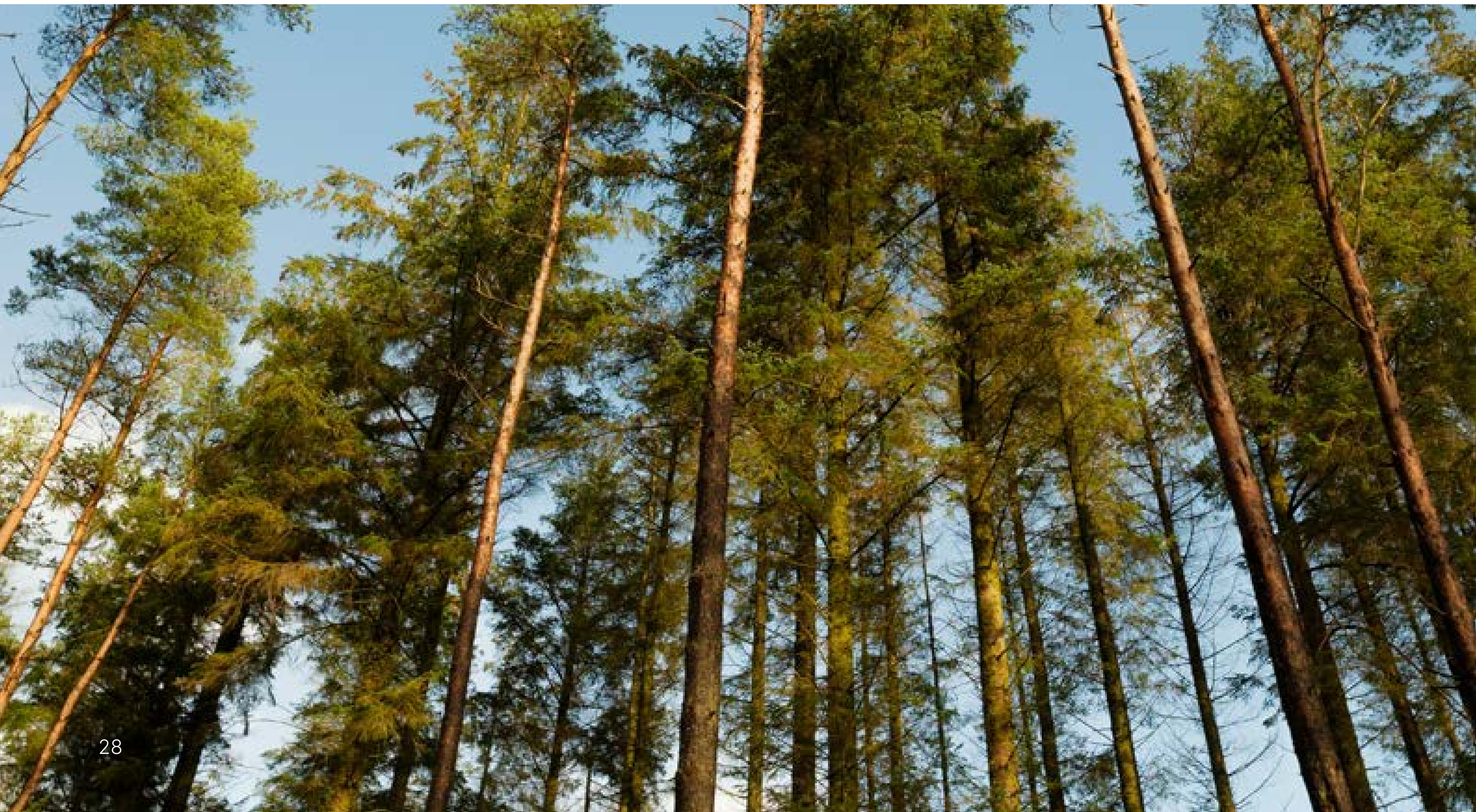
The Investor Policy Dialogue on Deforestation (IPDD) is an investor-led sovereign engagement initiative that aims to halt deforestation in the most vulnerable biomes of the world. The IPDD seeks to ensure long-term financial sustainability of investments in the countries they are invested in by promoting sustainable land use and forest management and respect for human rights, with an initial focus on tropical forests and natural vegetation.

The Producing Countries workstream (Brazil, Indonesia) focuses on the supply side, while the Consumer Countries workstream addresses the demand side of the issue.

Deforestation consistently emerged as the top exclusion priority in both our 2022 and 2024 client surveys, reflecting its importance to our clients. In response, we joined the IPDD in 2023 as a supporter and contributing investor to the Consumer Countries workstream.

Being a member of the IPDD Consumer Countries workstream provides HL with a valuable platform to influence and understand emerging deforestation-free commodity regulations in key markets such as the EU, the UK, and the US.

Through the initiative, we engage with government authorities, regulators, and industry associations to advocate for effective and timely policies that help halt deforestation. This collaboration enables us to stay informed about critical legislative developments, such as the EU's Regulation on Deforestation-Free Products, the UK's Forest Risk Commodities Scheme, and the proposed U.S. FOREST Act. By contributing to these discussions, we ensure that our clients' priorities, like sustainable land use and forest protection, are represented at the policy level.



INDUSTRY INITIATIVES

THE PRINCIPLES FOR RESPONSIBLE INVESTMENT

The Principles for Responsible Investment (PRI) is an UN-supported network of investors, working to promote sustainable investment through the incorporation of ESG factors. The PRI promote stewardship through supporting investors with voting activities, issuing guides and education, and coordinating collaborative engagements on ESG issues.

Hargreaves Lansdown Fund Managers (HLFM) is proud to be a signatory to the PRI since 2021.

We are pleased with the progress made in our 2024 PRI Assessment Report, where we saw positive developments across several modules, reflecting our ongoing commitment to responsible investment.

As well as being signatories ourselves, we expect all the fund groups we invest with in our funds, and those in HL investment solutions, like the Wealth Shortlist, to be a signatory of the PRI, or their country equivalent. Currently 100% of fund groups in our investment solutions are signatories to the Principles.

THE ACTION, CHALLENGE AND TRANSPARENCY STANDARD

The Action, Transparency and Transparency (ACT) standard of corporate culture is one pillar of activity that enables asset management firms to demonstrate the actions they are taking to ensure an open and accountable culture, by providing a disclosure framework.

HL is a founding member of the standards, and our Head of Platform Investments chairs the ACT Global Leadership Council.

The ACT Framework is a disclosure that enables a firm to articulate, assess and demonstrate how its external and internal cultural values on diversity, equity and inclusion align. We have integrated this framework into our due diligence processes for both HLFM funds and HLAM solutions in order to monitor the progress made by our appointed third-party fund managers. Any sub-standard responses are followed up by our Due Diligence Team and, where appropriate, communicated to clients as part of our fund updates.

Thanks to ACT, professional investors can use the framework to make better informed investment decisions – placing their clients' money with firms which prioritise upholding and improving corporate culture. Businesses can also use the same ACT framework to audit their culture and drive change where necessary.

“

We are pleased with the progress made in our 2024 PRI Assessment Report, where we saw positive developments across several modules, reflecting our ongoing commitment to responsible investment.

HL plc Memberships:

Paid-for partnerships:

- **50:50 The Equality Project:** Actively involved in striving for gender balance in journalism and media content so that it fairly represents our world.
- **Stonewall Diversity Champions Programme:** Dedicated to championing diversity and inclusion for the LGBTQ+ community.
- **30% Club Women Ahead Programme:** Engaged in initiatives to increase the representation of women in leadership roles.
- **Living Wage Foundation:** Actively supporting and promoting the real Living Wage based on the cost of living.
- **Business Disability Forum:** Committed to creating an inclusive and accessible work environment for individuals with disabilities.

Voluntary Charters:

- **Women in Finance Charter:** Committed to promoting gender diversity at mid to senior level within the financial services industry.
- **Bristol Equality Charter:** Actively supporting initiatives to improve equality and diversity across Bristol.
- **Bristol Women in Business Charter:** Committed to advancing gender equality and promoting inclusivity in Bristol's business community.
- **Aging Better:** Voluntarily engaged in initiatives to support an inclusive and accessible workplace to employees over the age of 50.
- **Bristol Living Wage City Action Group:** An alliance of organisations across the city working together to champion the Living Wage and encourage more employers to become accredited.

Independent Frameworks:

- **The Parker Review:** Actively participating in efforts to increase ethnic diversity in UK boardrooms and senior management.
- **FTSE Women Leaders Review:** Engaged in initiatives supporting and encouraging the development of women leaders in business.