



—
Investing for a
world of change

British Coal Staff Superannuation Scheme

Q2 2022 Engagement & Voting Report

Introduction

Ninety One focus on delivering sustainability with substance. This means sustainability initiatives and actions are evidence based and aim to produce real-world change or impact.

Ninety One are committed to net zero by 2050 or sooner and are signatories to the Net Zero Asset Managers initiative. They have set interim targets for 2030 committing to 50% of their financed emissions coming from companies or investments that have science-based pathways by 2030.

The Global Environment strategy engage with all portfolio companies several times a year, and they outline specific engagement goals for each company in their [Annual Impact Report](#). The Impact Report also details progress on engagements from the prior year.

Many of the engagement topics are long-term in nature and thus there will be a repetition of topics discussed over subsequent quarters. There will also be quarters where there hasn't been a significant update from the previous quarter.

Significant engagement activity

The below outlines significant proxy & engagement activities with two of the portfolio companies over the quarter:

Iberdrola

Iberdrola is a global leader in renewable-energy generation and the leading owner of renewable-energy generating capacity in Europe. The company has leading positions in Spain, the UK, Mexico, and Brazil. The Iberdrola group has committed to reduce its emission intensity to 50 gCO₂/kWh globally by 2030, thus achieving an 86 % reduction in three decades, in addition to being net zero globally before 2050.

As part of their transition plan to achieve net-zero, Iberdrola lobbies governments and stakeholders to encourage a transition to clean renewable energy. This includes lobbying for permits for renewable energy production as well as encouraging governments to eliminate subsidies for oil and gas companies. We met onsite with Iberdrola in this quarter to discuss their transition plan in further detail, while encouraging them to increase transparency and disclosure around their lobbying practices. Iberdrola have committed to making this information public by the end of 2022.

Over the quarter, we also voted 'against' in Iberdrola's advisory vote on remuneration as we felt it was not particularly well designed. The company uses a broad group of international large-cap companies to benchmark CEO pay, but a different group of European utilities as performance comparators for the purpose of meeting the targets. The company argues that European utilities are state-owned enterprises and hence not relevant comparators for pay, which is reasonable. But we believe the peer group for performance should be the same as the peer group for pay. We felt the company should have some of the higher-return companies with better-paid management teams in the comparator group. We explained this rationale to the company who took the point on board and said they would keep it in mind for the future.

Croda

Croda is a leading bio-based chemical producer that uses nearly two-thirds biological inputs in its production processes. The company's output, which mainly serves as ingredients for products such as skin creams, vaccines, and biological pesticides, replaces carbon-intensive, fossil-fuel-based alternatives. Croda is an enabler of decarbonisation in industries such as personal care and crop protection. In addition, some of its products offer efficacy advantages, for instance, its adjuvants decrease the amount of active ingredients required in a pharmaceutical product to deliver the same health outcome.

Over the quarter, we had an onsite meeting with Croda, visiting one of their manufacturing plants in Spain. This site visit was used to better understand the contribution of the company's new flavours and fragrances business which is made up of acquisitions from 2020 and 2021 – Iberchem and Parfex. Parfex, as a fine fragrance business, has developed a deep expertise in natural ingredients that has not yet been transferred to Iberchem, but this is a clear priority for Iberchem management and Croda more broadly. Notably, Iberchem has already established its "green future" label and we expect products that minimise environmental impact to grow. Additionally, we engaged with Croda on biodiversity and more specifically how their products are contributing to land savings. We met with Dave Cherry, Managing Director

Q2 2022 Reporting

of their Crop Protection business, who leads on their Land Positive Commitment. We spent time discussing Croda's methodology for calculating land savings as a result of use of their bio-stimulants, adjuvants, and seed coatings. We engaged with Croda to provide more information around these calculations.

We also discussed Croda's goal to develop a scientific-based target for the company's impact on nature with a desire to become "nature positive", although this remains in the early stage.

Summary engagement activity for the portfolio

We met with the majority of our portfolio companies over the quarter. In addition to earnings updates and business strategy discussions, the below provides a summary of the companies and topic area the investment team have engaged on:

Company	Topics
Analog Devices Inc	Climate Change Reporting & Disclosure
ANSYS Inc	Climate Change Reporting & Disclosure
Aptiv	Strategy Reporting & Disclosure
Autodesk Inc.	Cultural Work Practices
Beyond Meat	Climate Change Reporting & Disclosure
Croda International PLC	Biodiversity
Iberdrola S.A.	Climate Change Ethical Behaviour
NextEra Energy	Climate Change
Novozymes A/S	Climate change Strategy
Rockwell Automation Inc.	Cultural Work Practices
Schneider Electric S.A.	Climate Change Reporting & Disclosure
Trane Technologies	Climate Change Reporting & Disclosure Cultural Work Practices Supply chain
Vestas Wind Systems	Climate change
Voltronic	Climate Change Reporting & Disclosure

Source: Ninety One, data covering reporting period. All engagements are supported by appropriate analysts, portfolio managers and the Engagement and Voting team.

Proxy voting activity for the portfolio

Ninety One votes at shareholder meetings throughout the world as a matter of principle. We believe that once we become investors, that is to say part-owners of a company, we assume a duty of stewardship and therefore take responsibility to support or sanction as required.

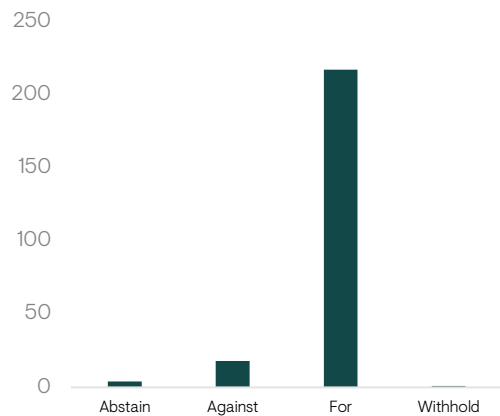
Below are the highlights of our voting activity.

Votes Cast (% meetings)



- Meetings with all votes for 37%
- Meetings with at least one vote against or abstain 63%

Number of Votes Cast

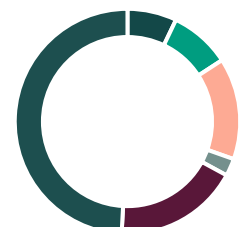


Votes resolutions by type (%)



- Management proposals 96%
- Shareholder proposals 4%

Vote categories – against, abstain and withhold votes %



- Auditor Related 7.1%
- Capitalization 8.8%
- Compensation 14.6%
- Director Related 2.5%
- Routine Business 17.9%
- Other 49.2%

Source: Ninety One, ISS ProxyExchange, data covering reporting period.

Note: the above charts do not include 'Do not vote' instructions. 'The Other' category is a grouping of the following sub-categories in no particular order; Antitakeover Related, Preferred/Bondholder, Non-Salary Compensation, Reorganization and Mergers, Company Articles, Strategic Transactions, Miscellaneous.

