Oldfield Partners

Proxy voting and company engagement report

Q3 2024

October 2024

Engagement Report

This quarter, we continued our focus on climate change and human rights, advancing several ongoing discussions and initiating new ones. Last quarter our conversations highlighted the importance of a multi-stakeholder approach and this quarter several of our engagements pointed to regulation within Europe as a key driver to progress. As companies are increasingly clear around their approach to balancing sustainability matters alongside commercial considerations, regulation is proving important in mandating clear targets with a longer-term time horizon in mind.

Climate Engagement

easyJet

We spoke to easyJet twice during the quarter, with our ongoing consideration of sustainable aviation fuel (SAF) central to discussions. Their director of tax and fuel, along with their lead on net zero, took us through their approach. At a high level, they described what is a systemic and structural decarbonisation of the industry. This is a process that will continue beyond 2050 and requires collaboration across different actors within the supply chain. Importantly, they emphasise that SAF is one of several levers on their net zero roadmap and that progress here will be driven largely by regulation.

easyJet suggest that today there is no real market price available for SAF and their procurement is guided by the EU's mandate of 6% by 2030. As they start to secure a percentage of required future volumes today, their purchasing policy balances commerciality with their net zero commitment, as they look not to overpay whilst remaining on the right side of regulation. Alongside SAF, they advocate for the direct use of hydrogen in the longer term and similarly are investing today with a view to the introduction of hydrogen infrastructure outlined for 2035. With such long-lead times for technological innovation, we recognise the trade-offs that easyJet are faced with, balancing a dual mandate in a competitive environment. As a material emitter in our global strategy, we will remain in open dialogue with the team as they look to formalise their SAF policy next year, accounting for regulatory requirements as well as their approach to different feedstocks and supply chain oversight to avoid deforestation risk.

Middleby

As a manufacturer of cooking equipment for the commercial, residential, and industrial foodservice market, Middleby are not a material emitter within our portfolio. They do however play an important role in the supply chain to brands with net zero commitments such as McDonalds. We were therefore interested to better understand their approach to innovation to support the environmental goals of their clients.

Middleby shared that sustainability initiatives increasingly shape their strategic decisions however whilst they collaborate with clients, their main pressure to make progress here comes from shareholders. Their stated objectives include the reduction in energy consumption and the electrification of their products was a main theme of the discussion and an area of heightened interest. They also support clients in the reduction of water usage and food waste and these objectives are balanced alongside other factors such as product performance, safety and food quality.

Going forward, we expect to see incremental improvements in Middleby's sustainability approach and their commitment to science-based targets and enhanced reporting suggests a gradual shift towards a more strategic approach to innovation. This should allow them to better address both the risks and opportunities of sustainable practices for their customers and we expect to continue dialogue with the team on this annually.

LGH&H

As a household and healthcare company, there are several potentially material sustainability considerations associated with LGH&H, including the safety of their products, the evolution of their packaging, as well as the environmental and social impacts of their palm oil supply chain. Whilst the company continues to make progress in all three outlined areas, our engagement with them during the quarter highlighted that their domicile in South Korea and expectations of the local consumer base does have implications on progress relative to peers.

When we questioned what prevented them from setting more specific medium- and longer-term targets for recycled and recyclable packaging, they argued that whilst overseas countries have a long history of using recycled plastics, with strong supply stability and consumer awareness, Korea is just getting started and with legal standards that keep changing, they are challenged to disclose longer-term goals. Similarly, their targets related to sustainable palm oil lag other regions and whilst they are working on what they describe as a realistic and practical plan to achieving 100% sustainably sourced palm oil, they do not currently have a timeframe to do so as they balance expense, sourcing availability etc. Accounting for regional nuance is an important part of our assessment of companies and in this instance, we encourage them to set ambitious longer-term targets as the broader context allows.

Human Rights

Tesco

Similarly to last quarter, our human rights monitoring raised potential supply chain issues in relation to the Uyghur population in China. This quarter, prior allegations of Tesco's exposure in their seafood supply chain resurfaced. As a long-term investor in Tesco, we have over the years engaged with the team on the complexity of their supply chain and their oversight of various issues. Perhaps unsurprisingly, as the UK's biggest supermarket, they have always demonstrated comprehensive practices supported by thorough policies and procedures to ensure they adhere to consumer and regulatory expectations. Similarly, in this instance, they confirmed that they were no longer associated with the suppliers in question and pointed us to their current work aimed at addressing specific challenges that heighten the risk of modern slavery in the fishing sector.

During the engagement, we took the opportunity to explore Tesco's approach to incoming deforestation regulation, the EUDR (The European Union Deforestation Regulation). Acknowledging that the main driver of deforestation is the expansion of agricultural land that is linked to the production of commodities like cattle, cocoa, soy, palm oil and coffee, the regulation aims to ensure deforestation free products with an enhanced focus on traceability throughout the supply chain. With other distributors, we have seen that the requirement for increased traceability will result in significant initial cost to put the necessary frameworks in place. The Tesco team are well positioned to implement new regulation, having made significant progress with commodities such as palm oil in the recent past.

We remain impressed by Tesco's overall approach. From a governance perspective, their sustainability teams are integrated into the commercial function, which supports their engagement with suppliers on sustainability matters alongside commercial considerations. We will continue dialogue where required.

Sanofi

In September we engaged with Sanofi regarding a court case that they and Bristol-Myers Squibb are facing in Hawaii with respect to Plavix. This relates to the warning label of Plavix not being adjusted to reflect the appropriate safety and efficacy risks of the drug, specifically that around 30% of patients might have a reduced response to Plavix, particularly those of East Asian and Pacific Islander descent.

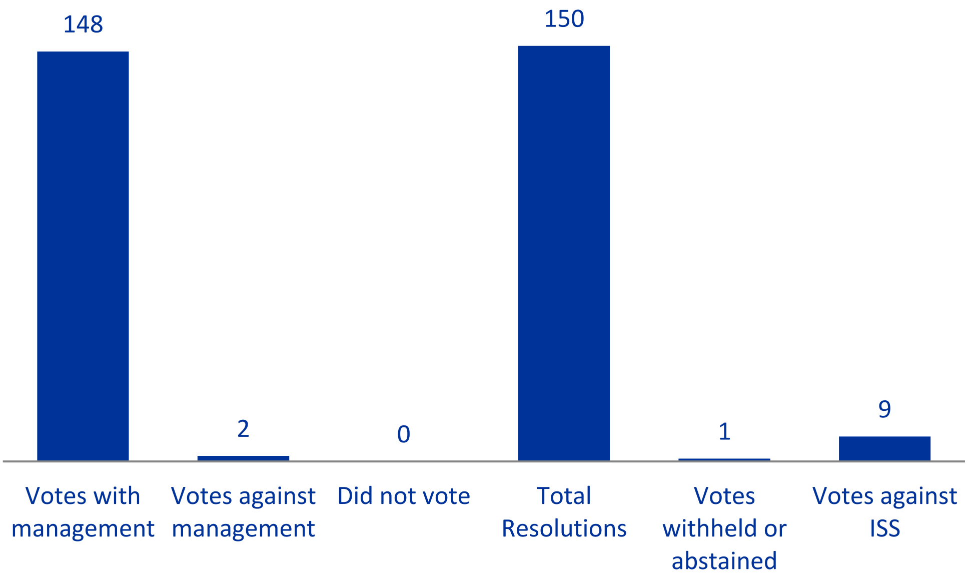
Sanofi and BMS are appealing the ruling and argue that they provided appropriate information about the risks and benefits of Plavix, including regarding genetic variations that may affect the drug's efficacy for some populations. They are appealing based on the stance that they did not mislead healthcare providers or patients in Hawaii and that the penalties are excessive. Currently the suit will cost Sanofi $458m and raises the risk that another state could pursue a new case. Our experience has highlighted the need to approach litigation in the pharmaceutical sector with extreme caution. In this instance, we are more comfortable that this relates to an initial filing that dates back to 2014 and Sanofi argue that while it is possible a new state could pursue a case, the events and circumstances would be from many years ago. Importantly, this represents a government enforcement action, rather than a product liability case brought by patients.

Voting Summary*

Total meetings available	=	13
Meetings instructed	=	13
Number of resolutions	=	150
Did not vote	=	0

**For clients who have delegated voting authority to Oldfield Partners.*

Vote Instructions



Breakdown of Resolutions