

**STEWARDSHIP
REPORT
Q4 2025**



THE THOUGHTFUL INVESTOR

EXECUTIVE SUMMARY

Our stewardship highlights this quarter include:

Foresight Group:

We engaged with the company to ascertain why its scope 3 emissions profile is much higher than its peers.



Sanofi:

We engaged with pharmaceutical firm Sanofi as part of our broader work on conflict minerals and also raised two additional topics relevant to the sector: the use of animal-derived ingredients and plastic reduction.

UK Smaller Company Fund Remuneration:

During the quarter, we engaged with two investee companies within our Thoughtful UK Smaller Companies Fund on matters relating to remuneration.



Collaborative Engagements:

We supported an investor letter sent to all FTSE 100 companies, encouraging them to disclose their climate risk and resilience strategies, and participated in the Workforce Disclosure Initiative for the eighth consecutive year.

US voting:

Shareholder resolutions on U.S. ballots are one of the primary mechanisms for shareholders to influence corporate policy, often addressing environmental, social and governance issues. This section outlines some of the shareholder resolutions – including **Microsoft**, **P&G** and **Chubb** – we have supported since the changes to our funds.



FORESIGHT GROUP

Written by
Ita McMahon



SUMMARY: Foresight Group is a leading infrastructure and private assets investment manager operating across Europe and Australia. The firm focuses on long-term investments in real assets, particularly in sustainability-led sectors such as renewable energy, energy transition and associated infrastructure, which are typically difficult for investors to access directly. We engaged with the company as its scope 3 emissions profile seemed very high compared to its peer group.

In our research prior to the meeting, we found that Foresight's reporting on its carbon footprint much more comprehensive than many of its peers. We wanted to understand if the company's scope 3 emissions were higher simply because its reporting was more comprehensive, or whether there were other factors driving the level upwards.

The Foresight team were very willing to meet and arranged for us to speak to two sustainability experts in the business. They were able to show us that the cause of the high emissions was from two key sources within one of the infrastructure funds it manages. Firstly, the fund holds some gas generation assets in Australia. These assets make up less than 10% of the Group's assets under management but account for two-thirds of scope 3 emissions. Energy-from-waste assets (predominantly incineration) also have a heavy emissions profile within the fund. Combined, gas generation and energy-from-waste account for 89% of infrastructure emissions.

We were pleased to hear that Foresight intends to recruit a specialist to look at carbon forecasting, as that represents a significant commitment to understanding its emissions profile and should enable the company to take informed decisions around carbon reduction targets."

We questioned the process to allow gas generation into its fund, given the Group's strong sustainability credentials. Foresight's response was that the site came as part of a broader, and fairly, recent acquisition of another specialist infrastructure asset management business in Australia and that the acquisition also included a reasonable exposure to the

growing renewable market in the region. We explained that having gas generating assets in funds it manages is not ideal from our perspective, even though our screening policy does allow for situations like this, i.e. where a company has a very small amount of exposure to a sector that we would otherwise avoid investing in directly. They were able to give a reasonable defence by explaining that in Australia, coal remains the dominant energy source, and that gas is very much seen as a cleaner alternative in that market.

We then asked about the company's plans to set net zero targets for its business and fund range, and by implication what that would mean for holding gas assets. The company representatives replied that improving emissions data quality is its initial priority, but that they are looking at decarbonisation across the investment portfolio, although this is still early stage. We were pleased to hear that Foresight intends to recruit a specialist to look at carbon forecasting, as that represents a significant commitment to understanding its emissions profile and should enable the company to take informed decisions around carbon reduction targets.

Foresight's team also highlighted that it measures the emissions avoided (sometimes called scope 4 emissions) by its investments in cleaner infrastructure and has published data to show that its investments avoid more emissions than it emits.

Outcome: The meeting confirmed our view that the company has undertaken significant work to understand the emissions profile of its investments and is reporting in far more detail than its peer base. We plan to check in with the company later in 2026, to see how its decarbonisation ideas are progressing.

SANOFI: CONFLICT MINERALS, ANIMAL DERIVED INGREDIENTS AND PLASTICS

Written by
Ffion Spencer



SUMMARY: We recently met with French pharmaceutical company Sanofi to discuss its potential exposure to conflict minerals, alongside broader E.S.T. (environmental, social, transparency and governance) topics including plastic use and animal derived ingredients.

Conflict Minerals

Sanofi had been flagged by our research provider, Ethical Screening, as potentially using tin, tantalum, tungsten and gold (collectively known as '3TG minerals') within its operations. The objective of the call was to understand whether and how these minerals feature in Sanofi's supply chain and to assess the company's approach to identifying and managing any associated risks.

Sanofi confirmed that it does not use conflict minerals in its products and noted that although gold had previously been used in one product, this has since been fully phased out and replaced. The company provided an overview of its supply chain assessment, which included an internal

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review of its product portfolio and supply chain that initially identified around 450 suppliers potentially in scope. 350 suppliers were assessed by a third party vendor, who engaged directly with suppliers to confirm the absence of 3TG minerals by using the Conflict Minerals Reporting Template. The company continues to monitor potential exposure through its supplier management processes, with conflict minerals requirements now embedded in its supplier code of conduct. Clarifying whether the company uses these minerals is a useful exercise for us as investors as it enables us to evaluate exposure to regulatory, operational and reputational risks associated with conflict mineral sourcing.


Use of Plastics

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Sanofi explained that it does not consider itself a material contributor to plastic waste, given the nature of its products and the controlled environments in which they are typically used. Despite this, the company is working to reduce plastics wherever feasible, with the main exception being the primary packaging that comes into direct contact with the pharmaceutical product and is therefore subject to strict regulatory and safety requirements.

We are encouraged that Sanofi has made good progress in several areas. In its vaccines business, plastic secondary packaging has now largely been replaced with fully recyclable, plastic-free cardboard cartons. The company is targeting the elimination of plastics across vaccine packaging by 2027, aside from syringes where no viable alternatives currently exist. For injectable products, plastics remain necessary within devices, but Sanofi is collaborating with industry partners on recovery and take back schemes, such as programmes for used insulin pens. These initiatives demonstrate a proactive approach to managing downstream waste impacts, which is increasingly relevant as extended producer responsibility frameworks evolve.

Sanofi shared that PVC blisters for tablets and pills remain difficult to replace due to their stability and shelf life performance, but noted that overall waste volumes from these formats are relatively small. The company has also achieved secondary benefits from its packaging reduction efforts, including smaller and more compact boxes that contribute to lower carbon emissions. These operational efficiencies subsequently support the broader decarbonisation goals we often push for.

 **While certain jurisdictions have begun loosening requirements around animal testing, much of this progress has occurred in the cosmetics sector rather than pharmaceuticals, where safety and efficacy standards remain more stringent.”**

Looking ahead, Sanofi sees opportunities to extend its plastic reduction initiatives to other injectable products and to expand take back schemes where feasible. The company is also transitioning from paper leaflets to QR codes in some markets where regulatory acceptance allows. Sanofi Impact has already implemented QR code based information successfully in global health programmes, enabling patients to access materials in their preferred language. We view these developments positively, as they signal a willingness to adopt digital solutions that can reduce waste, while also improving patient experience.

Animal-Derived Ingredients

Lastly, we discussed the use of animal derived ingredients in Sanofi's products, a topic raised by clients. The company explained that some animal derived inputs remain necessary within its portfolio, largely due to regulatory requirements and the absence of viable synthetic alternatives. Sanofi noted that it has previously engaged with stakeholders on related issues, including halal compliance in markets such as Indonesia, where certification is increasingly important and where expectations around

products being inclusive of dietary needs continue to grow. The company shared that while it has been able to replace some products, pig derived ingredients remain the greatest challenge, as no practical substitutes currently exist.

In vaccines, Sanofi shared that it has received similar queries in the past relating to allergies. We learned that many flu vaccines are still grown using eggs, which can pose issues for individuals with egg allergies. The company has developed an egg free alternative, although it is more costly to produce, and is exploring synthetic approaches that could replicate the required proteins without relying on animal inputs.

Similar to other discussions we have had in the past with pharmaceutical companies, Sanofi was transparent with the fact that regulatory constraints remain a significant barrier to change. Some markets, including Japan, have strict requirements that limit the ability to switch away from animal derived inputs, even when alternatives exist. While certain jurisdictions have begun loosening requirements around animal testing, much of this progress has occurred in the cosmetics sector rather than pharmaceuticals, where safety and efficacy standards remain more stringent. As a result, progress in this area will depend heavily on regulatory alignment, which will ultimately determine the pace at which companies can transition to non animal substitutes.

Outcome: Our engagement provided reassurance that Sanofi does not use conflict minerals in its products and has a structured approach to conflict minerals due diligence. We also gained comfort that the company is making tangible progress on reducing plastics in its packaging and is actively exploring alternatives to animal derived ingredients where feasible.

ENGAGING UK SMALLER COMPANIES ON EXECUTIVE REMUNERATION

Written by
David Elton and Ffion Spencer



SUMMARY: During the quarter, we engaged with two investee companies within our Thoughtful UK Smaller Companies Fund on matters relating to remuneration. Our voting guidelines set out our expectations on executive pay, and we emphasise the importance of clear, comprehensive disclosure. While recognising differences in reporting requirements and resource constraints, we encourage smaller companies to aspire to higher standards of transparency and accountability.

One area we often encounter with smaller companies, particularly those quoted on the AIM market, is the absence of a separate remuneration resolution at AGMs. Instead, remuneration matters are sometimes included within general resolutions. Historically, AIM companies have not been required to separate these votes, which can make it less clear for shareholders to express their views on pay and may lead to votes against the report and accounts or directors. While our guidelines do not explicitly require a separate resolution, we consider this best practice for good governance.

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Encouragingly, the 2023 update to the QCA Corporate Governance Code (the framework of governance principles and guidance for smaller quoted companies in the UK) introduces remuneration as a standalone principle and encourages companies to put remuneration matters to shareholders through separate AGM resolutions. This development supports greater transparency and accountability around executive pay and aligns smaller companies more closely with established market practice.

In the period, we engaged with two companies to discuss such issues. At the June AGM of AIM-quoted natural animal feed additives group Anpario, we expressed our concerns relating to remuneration and disclosure by not supporting the Report & Accounts resolution. This was due to the absence of a separate remuneration vote, which would have allowed shareholders

to express a direct view on pay. We also met with the Chair of the Board to discuss executive pay and wider remuneration governance. The company confirmed it will introduce a separate remuneration resolution in 2026.

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in line with updated QCA Code guidance. In addition, we encouraged the company to consider a broader mix of performance measures in the pay packages of senior executives and for transparent disclosure.

We also engaged with Tristel (likewise AIM-quoted), a provider of high-level medical disinfection products, regarding limited disclosure on payments to a departing executive and the absence of a separate vote. We spoke with the Remuneration Committee Chair, who provided further context on the situation. However, while this additional information helped clarify the payments, the rationale and disclosure were not fully compelling. Given the lack of a separate remuneration vote, we again expressed our concerns by opposing the Report & Accounts resolution. Tristel also confirmed that it will introduce a separate remuneration resolution in the future.

Outcome: Both companies have indicated that they will implement a standalone remuneration resolution next year. This reinforces the value of a separate vote as a mechanism for shareholders to express views on pay and demonstrates the importance of ongoing engagement and voting activity on remuneration governance.

COLLABORATIVE ENGAGEMENTS

Written by
Ffion Spencer



FTSE 100 Climate Transition Plans Investor Letter

SUMMARY: In September, we supported an investor letter sent to all FTSE 100 companies encouraging them to disclose their climate risk and resilience strategies. The letter also called for companies to put their climate transition plans to a shareholder vote.

This initiative, now in its fifth year, is co-ordinated by the Local Authority Pension Fund Forum (LAPFF) and the investment firm CCLA, supported by investors representing £1.6 trillion AUM. Its aim is to encourage greater transparency on climate transition planning among the UK's largest listed companies. By publishing more detailed information, investors can better understand how effectively companies are identifying and managing climate-related risks and hold them to account on progress against targets.

The letter sets out clear expectations: companies should produce credible transition plans aligned with the Paris Agreement, including detailed strategies and material climate-related impacts in their financial statements. It also highlights emerging guidance from the Transition Plan Taskforce, which recommends plans be updated every three years.

Currently, only around a fifth of FTSE 100 companies (excluding investment trusts) have offered shareholders a vote on their climate plans, which is increasingly seen as good practice. All of this helps to embed and normalise carbon considerations into corporate decision-making and governance processes.

A Changing Landscape: Workforce Disclosure Initiative in 2025

Castlefield has supported the Workforce Disclosure Initiative (WDI) since 2018, encouraging companies to disclose standardised workforce data - similar to how environmental reporting has become common practice. Historically, our engagement delivered results, with several holdings completing the WDI survey in prior years.

Due to fund changes, we now hold fewer targeted companies, and despite approaching three - including some previous participants- none agreed to complete the survey. WDI's own figures show retention fell to 73% in 2025, the lowest ever recorded, despite 142 global responses. Investor engagement also softened, with only 27 companies completing as a result of 120 engagements.

We believe this trend mirrors a wider move away from social issues in the current political climate. For Castlefield, it reinforces why continued support matters: workforce data on safety, diversity, fair pay, and human rights is critical for assessing long-term resilience and reputation. By backing WDI, we help drive transparency and accountability, enabling informed investment decisions and promoting responsible business practices.

Outcome: Despite none of the companies we engaged agreeing to take part this year, we believe continued engagement remains critical to ensure that social factors -such as safety, diversity, and fair pay- are not overlooked in corporate reporting, even amid shifting political climates..

SHAREHOLDER RESOLUTIONS OVERVIEW

Written by
Barney Timson



SUMMARY: As we have transitioned towards a more global opportunity set, shareholder resolutions, which are less common in the UK and European markets, have become more prominent, especially amongst the large US companies we now hold.

What is a shareholder resolution?

A shareholder resolution is a formal proposal submitted by a company's shareholders for a vote at the company's annual or special meeting. It typically asks the company to take a specific action or adopt a policy, often related to corporate governance, executive compensation, environmental practices, or social issues. While most shareholder resolutions are advisory rather than legally binding, they can influence company policies and signal investor concerns to management and the board of directors.

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Why are they common in the US?

In the US, securities laws make it easier for shareholders to submit proposals, with the filer only required to have held the shares for a short period of time and have their shareholding meet a modest nominal amount. Separately, in the US, management teams often provide investors with less access compared with their European and UK counterparts. As a result of this, filing shareholder resolutions is often the best method of starting a dialogue with the firm. Shareholder resolutions also provide investors with the opportunity to work with each other in an effort to amplify their voice and further encourage change at the investee firm.

Supporting shareholder resolutions:

Over the course of the past 12 months we have supported a number of shareholder resolutions covering a variety of topics across several different companies.

Chubb:


An example of a shareholder resolution that we supported this year was a resolution tabled at the Annual General Meeting (AGM) for Chubb, the Swiss insurance company that specialises in property and casualty insurance. The resolution asked the company to produce a report disclosing the greenhouse gas emissions from its underwriting, insuring, and investment activities. We supported this resolution at the AGM as we are strong believers that greater disclosure is essential to driving improvements. This is because the publication of more data enables easier identification of trends or areas of concern.

Lennar:

Another example of a shareholder resolution that we supported this year occurred at the AGM for Lennar, the US homebuilder. The resolution, filed by a reputable US-based shareholder activist, requested a separation of the Chairman and CEO roles at Lennar. In the US, Executive Chair positions are common practice however this is not considered corporate governance best practice in the UK and Europe. The main issue with Executive Chair roles is that it concentrates power to one individual. The role of the CEO is to manage the day-to-day operations of the company, whereas the role of the Chairperson is to oversee the board and evaluate and monitor the performance of the executive team (including the CEO). By separating the roles, the board can implement adequate checks and balances, and prevent an individual from effectively overseeing themselves. In this example, it is also worth highlighting that the Executive Chairman in question also possessed 40% of company voting rights, further strengthening his position at the helm of Lennar by effectively granting him veto power. As a result of these factors, we decided to support this resolution at the AGM.


Microsoft:

More recently, there was an example of shareholder resolution at the Microsoft AGM. The resolution asked the company to produce a report assessing the effectiveness of Microsoft's human rights due diligence processes in preventing, identifying and addressing customer misuse of AI and cloud products and services which violate human rights or international humanitarian law. Following a string of reports by external parties and the public scrutiny that followed, Microsoft took the decision to disable certain services for the Israeli Defence Force due to misuse. Given that this misuse was initially identified by external parties, this



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raises legitimate concerns regarding the ability for Microsoft to proactively detect and mitigate similar risks in the future. Consequently, we took the decision to support this resolution so that we can understand how this occurred and how further incidents can be prevented in the future.



Despite P&G's commitment to sustainable packaging, a significant amount of packaging remains in flexible packaging, and they are behind in their goal to reduce virgin plastics by 50% by 2030."

Proctor & Gamble:

The final example of a shareholder resolution that we supported this year occurred at the AGM for Procter & Gamble, the global consumer goods giant. The resolution, filed by As You Sow, a non-profit foundation chartered to promote corporate social responsibility, requested the release of a report on P&G's efforts to reduce its contribution to plastic pollution. Despite P&G's commitment to sustainable packaging, a significant amount of packaging remains in flexible plastic packaging, and they are behind in their goal to reduce virgin plastics by 50% by 2030. The reliance on flexible plastic packaging poses financial, regulatory and reputational risks, and they are lagging competitors. Based on these factors, we took the decision to support this resolution.

VOTING STATISTICS: Q4 2025

Written by
Ffion Spencer



As investors, we believe that we have a responsibility to our clients, as well as the companies we hold, to vote on issues such as executive pay, director nominations and political donations. We aim to vote on all the stocks held in the collective funds we manage. We consider each resolution carefully and often engage with companies where we disagree with their stance. We have an in-house set of voting guidelines that we update annually. The guidelines ensure we vote consistently across all our fund holdings; they are made publicly available on our website, as is our full voting history.

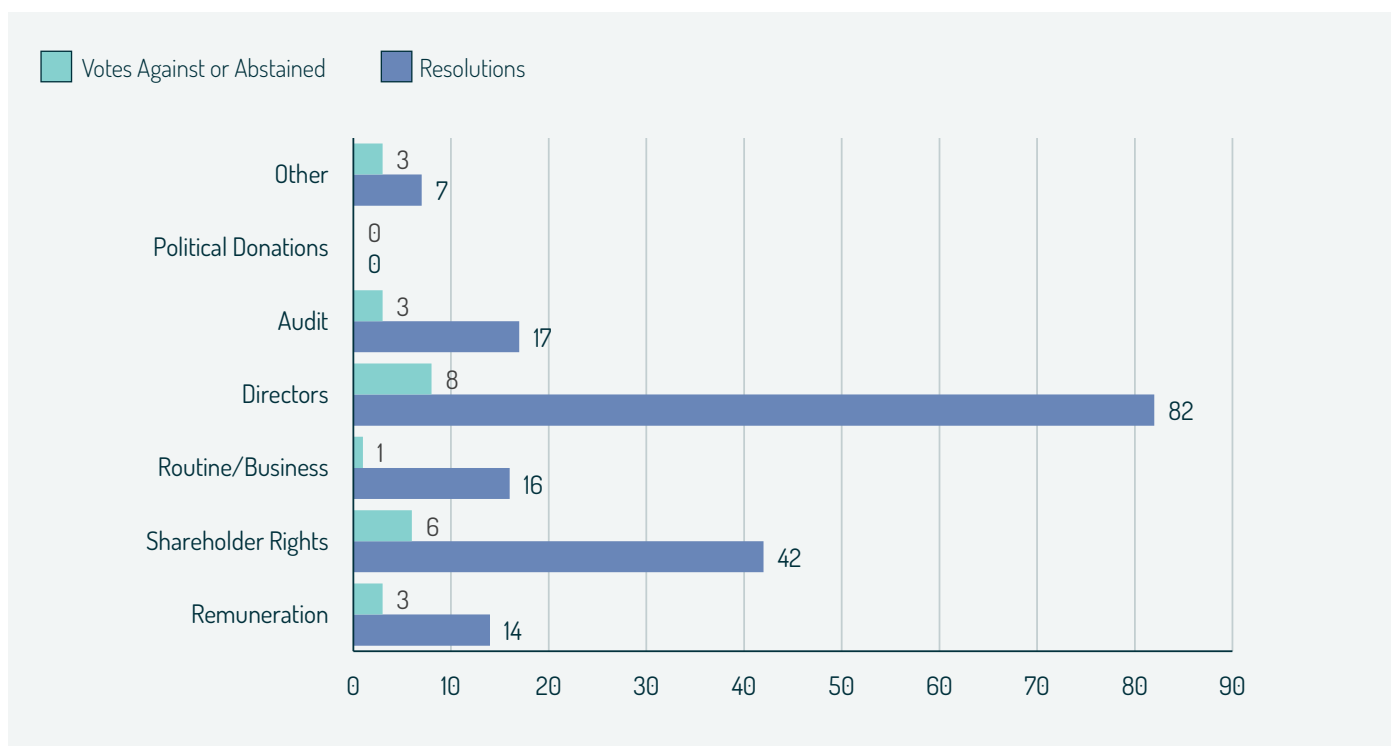
RESOLUTIONS

During the quarter, we voted at 15 meetings hosted by our investee companies, with a total of 178 resolutions.

Number of resolutions where votes were cast For	154	86.5%
Number of resolutions where votes were cast Against	24	13.5%
Number of resolutions where votes were Abstained	0	0.0%

- REMUNERATION:** We vote against excessive pay awards and awards that are not attached to sufficiently stretching performance targets. Particularly in light of the impact of coronavirus, we believe it is important that executive pay is reflective of the experiences and outcomes of all stakeholders.
- DIRECTOR INDEPENDENCE & EFFECTIVENESS:** Non-Executive Directors (NEDs) who sit on the boards of listed companies should be independent in order to be effective. The UK Corporate Governance Code sets limits on tenure which we apply across all geographies as a factor to determine independence. We have also long taken the view that directors should not hold a lot of other external positions. This is because, at a time of crisis, we expect directors to have enough additional time to dedicate to the company and the issues that it is facing.
- SHAREHOLDER RIGHTS:** This topic includes votes on issues such as share placings that a company might undertake to raise capital, as well as requests a company might make to repurchase its own shares. These requests have the potential to be detrimental to existing shareholders. One topic which falls under this heading, which we will always vote against, is the request to hold meetings with just 14 days' notice, as we do not believe this is sufficient time for shareholders to prepare to exercise their voting rights.
- POLITICAL DONATIONS:** We do not think it is appropriate for companies to make political donations and consequently will always vote against a resolution seeking permission to do so.
- THE AUDIT PROCESS:** Auditor independence may be compromised if the auditor has been in place for a long time and no tendering process has been undertaken, or if fees paid are for services other than their primary audit function.
- ROUTINE/BUSINESS:** Items in this category include resolutions that are often uncontroversial, such as accepting a company's Financial Report & Accounts for the previous year. It also includes resolutions to approve dividends.
- OTHER:** This category may include certain resolutions proposed by shareholders and votes on topics such as Environmental, Social or Transparency & Governance (E.S.T.) issues and reporting.

Resolutions during the quarter by category and how frequently we voted against or abstained:



MEET THE TEAM



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