Stewardship Report - April 2023

For the year to 31 December 2022

“Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.”

Financial Reporting Council (FRC)
(UK Stewardship Code 2020)

Contents

In September 2022, Brewin Dolphin was acquired by Royal Bank of Canada (RBC). With a strong cultural alignment between the two businesses, our new ownership structure has deepened our commitment to being a responsible business and delivering the best results for clients. Stewardship plays a key role in how we invest and operate responsibly, and RBC Brewin Dolphin remains committed to the highest standards of engagement and corporate responsibility.

Responsible investment

Stewardship

Being a responsible business

2022 Highlights

Third CDP disclosure completed

Maintained signatory status to UK Stewardship Code 2020

Enhanced our stewardship capabilities

Our awards

Welcome

In what has been a momentous year for RBC Brewin Dolphin, our focus on stewardship has not deviated. Becoming part of RBC provides us and our stakeholders with strength and stability for the future, through a parent company that shares our commitment to clients and communities. We are confident this will increase our capabilities as responsible owners of our clients' assets, at a time when the geopolitical backdrop of war in Ukraine and surging inflation means it is more important than ever.

Sustainability*, which includes stewardship and responsible investment, remains one of my top priorities. Since our last report we have appointed new team members to lead our stewardship efforts forward. We were proud to remain a signatory to the UK Stewardship Code last year, and hope that our increased resources will see us remain so this year as well.

Demonstrating outcomes has been highlighted by the FRC as key to strong reporting and good stewardship. This is a challenging area, something we need to think about carefully as an industry. This year's report discusses our activities, and those of our third-party fund managers, with outcomes in mind. Future stewardship reports will develop this further to fully address the requirements and demonstrate the value our stewardship work delivers.

I am proud to lead a business built on exceptional standards of service for our clients, and I include in that the scrutiny of and engagement with the companies in which we invest. Members of the Executive Committee of RBC Brewin Dolphin, including myself, have reviewed this Stewardship Report. At all levels in the company, we recognise the importance of stewardship and this report shows the scale of work that goes into it. We will continue to share our progress, innovate and use our capabilities, expertise and talent to provide our best for our clients and society.

Robin Beer, Chief Executive Officer

*Sustainability, as used by RBC Brewin Dolphin in this report, includes the consideration of environmental, social and governance factors

As one of the three pillars of sustainability at RBC Brewin Dolphin, stewardship is a critical part of how we operate as a responsible investor. In 2022, we expanded the team focused on stewardship because we believe that acting as a responsible owner of our clients' assets contributes to improved outcomes for all stakeholders.

As a wealth manager, we believe it is vital to engage with our investee companies and funds and exercise our shareholder voting rights. We are in the midst of a shift to greater transparency, driven by transformative changes in technology, social media, societal expectations and regulations. We are entering an era of greater accountability which will make stewardship ever more important.

This is particularly relevant for us as UK-based investors. In January 2023 the Skidmore Review highlighted the need for more policy changes to enable the UK to meet its net-zero targets, and in March the government published its updated Green Finance Strategy. Court cases in the UK and around the world are ushering in a new era of climate liability, new disclosure requirements are in development to address biodiversity loss, and the FCA consultation on the Sustainability Disclosure Requirements (SDR) has highlighted the importance of stewardship activities in sustainable investment. In all areas, expectations of businesses and investors are increasing. As responsible investors, we need to understand how these trends affect our investments, and as stewards we need to engage with our investees to help ensure they are disclosing sufficient information, and making progress in adapting to a changing world.

I am excited about the future of stewardship at RBC Brewin Dolphin. We take our rights and responsibilities as active owners very seriously. We have created a solid foundation in this area, and we have an ambition to continue to enhance our stewardship capabilities over the coming years.

Tom Blathwayt, Head of Sustainability and Chair of the Stewardship Committee

About RBC Brewin Dolphin

Our values

We have a long tradition of good stewardship, which is naturally aligned to our long-term view, our success and that of our clients. Over time our business has seen the ebbs and flows of the markets, which has taught us the importance of being a responsible and sustainable business, and good stewardship helps to ensure that our investee companies think this way too. We are committed to building on this strong track record by delivering continued value to our stakeholders.

RBC Brewin Dolphin is one of the UK's leading providers of discretionary wealth management. We have grown our business to become a trusted wealth manager, with our success built on the strength of our talented team and client relationships.

260 years since our establishment as one of the founding firms of the London Stock Exchange, we have now entered a new chapter: in 2022 we were acquired by RBC and became a fully owned subsidiary. Overall, there is strong alignment between RBC Brewin Dolphin and RBC in terms of sustainability and how we operate as responsible businesses. We are both purpose-led organisations that focus on putting clients at the centre of everything we do. We both aim to have positive impacts on communities where we operate and have a number of initiatives to drive this. With this strong cultural alignment between the two businesses, we remain true to our values which are at the heart of how we work with clients and one another. Our values include seeking to ensure clarity and stability in a complex world and balancing benefits today against future long-term security and wealth creation. Our long-term approach remains crucial to our success.

RBC Brewin Dolphin has approximately £52.5bn* of FUM. We specialise in helping clients protect and grow their wealth by creating financial plans and investment portfolios that meet personal and professional objectives. Our clients have high aspirations for themselves, for their families and their futures, which includes the future of our planet. We support them in taking a responsible and long-term view throughout their financial journey. While we have a long-term asset owner mindset, aiming to preserve value for our clients, we believe that for reporting purposes our business model mainly fits within the definition of asset manager.

Global plans to drastically reduce greenhouse gas emissions to net-zero by 2050 require the largest change to our economies in our lifetime, a change that RBC Brewin Dolphin is committed to supporting. We see stewardship as a crucial tool. By engaging with investee companies and encouraging them to consider issues such as climate disclosure and emissions reductions, we are part of a larger system driving economy wide changes which are likely to benefit all stakeholders, including clients.

RBC has a goal of achieving net-zero emissions in its lending by 2050 and is a member of the Net-Zero Banking Alliance. RBC has an enterprise climate strategy, The RBC Climate Blueprint, to accelerate the pace of climate action and support its clients in an orderly and inclusive transition to net-zero. RBC Brewin Dolphin, as a group subsidiary, will operate under the RBC strategy and commitments. As a result, RBC Brewin Dolphin will not remain a member of the Net Zero Asset Managers initiative.

* as at 31 December 2022

88%

of our FUM has a discretionary mandate*

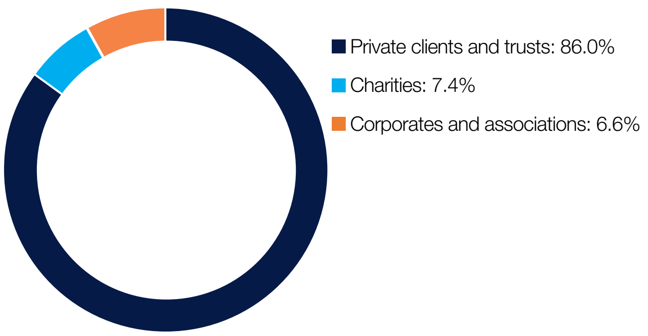
62%

of FUM is held by clients with a direct relationship with us*

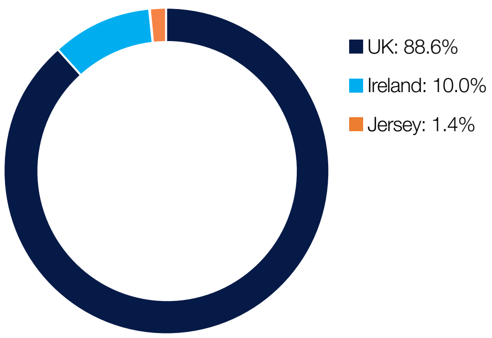
£606,100

average discretionary portfolio size*

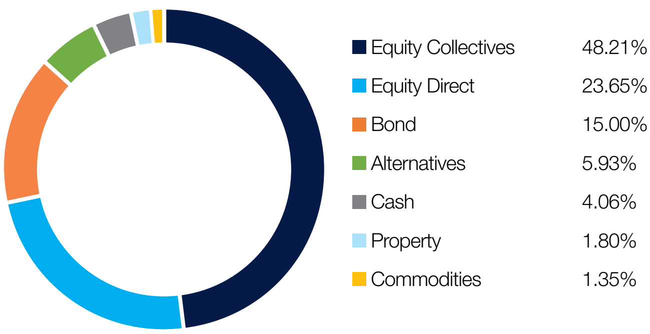
Client type breakdown: by FUM



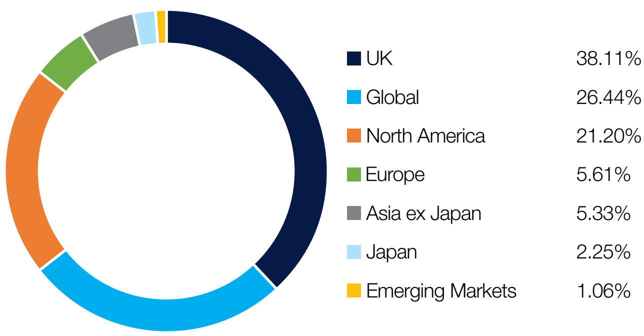
Geographical breakdown: by FUM



Asset class breakdown*



Geographical breakdown*



* by value of client assets as at 31 December 2022

Purpose and strategic objectives

We have always had a strong sense of purpose at RBC Brewin Dolphin; an understanding of what it means to do the right thing for our clients and for our business.

Following our acquisition by RBC in 2022, our commitment to our sense of purpose remains as strong as ever: **Helping clients thrive and communities prosper.** Our ongoing work in this area continues, taking into account our broader societal impact.

This sense of purpose is keenly felt by our colleagues. This year we adopted a more tailored approach to employee engagement. Rather than relaunching the annual engagement survey, we adopted a more locally driven approach via a network of approximately 60 engagement partners. These partners, from a number of different business areas, worked with our Human Resources department to support our broader employee network before and during the post-acquisition integration process.

By inspiring confidence in the future, we help our clients to make choices to achieve their individual life ambitions. We do this by delivering exacting standards of service, considered long-term thinking, and unwavering focus on our clients' needs.

Our strategy for growth is designed to enable us to realise our vision of being the place that people trust for world class wealth management. In this respect, our strategic destination is to be a **truly advice-led, people-centred, digitally-enabled wealth manager.**

By being advice-led, we seek to build trusted, long-term client relationships, and to provide insightful, tailored advice. Through this, we aim to create maximum value for clients, including by providing access to a dedicated team of experts and a broad suite of relevant solutions.

As a people-centred organisation, we are focused on unlocking inspirational opportunities and meaningful career journeys for people, whilst also embedding an inclusive culture of trust and pride, demonstrated and reinforced by the way we treat each other and our communities.

As the expectations of our clients and colleagues continue to change with respect to digital convenience, we are prioritising the development of market-leading digital and technology capabilities, that will not only help to provide convenience but help to increase efficiency and effectiveness.

The power and scale of RBC will be critical in supporting and accelerating innovation and the delivery of these priorities.

These strategic objectives are broken down into smaller goals and initiatives. There is a balance between those that are implicitly linked to sustainability, such as technology upgrades, and those which are explicitly related to responsible investment, sustainability and stewardship. These include the continuing development of our Environmental, Social and Governance (ESG) offering, which covers our stewardship and engagement work, embedding diversity and inclusion firmly into our culture and continuing to deliver our excellent corporate responsibility programme.

At RBC Brewin Dolphin, the objectives of every colleague across the business are aligned to these overarching strategic priorities. This brings an important sense of collaboration as we strive towards this set of common goals.

Furthermore, performance against these objectives is a factor in remuneration decision making. This incentivises us all to consider and promote sustainability in all the work we do. These objectives are supported by and align to the three pillars of sustainability at RBC Brewin Dolphin; responsible investment, stewardship and responsible business. In this report, we use the terms ‘sustainable’ and ‘sustainability’ with these three pillars in mind.

Responsible Business

Ensuring RBC Brewin Dolphin is a company that seeks to have a **positive impact on society**, including our people, communities, clients and the environment

Responsible Investment

Ensuring that we can offer our clients the right **responsible investment choices** for them

Stewardship

Ensuring **responsible ownership of assets**, with monitoring and engagement where appropriate

Responsible business

One pillar of sustainability at RBC Brewin Dolphin is being a responsible business. This covers many elements, from our corporate behaviour and business ethics, to how we support our employees and communities and play our part in tackling climate change.

Diversity and Inclusion

We believe that prioritising diversity and inclusion is essential for our employees, our clients and for the future of our business. We stand to benefit when we value the diversity of ideas and ways of working that people from different backgrounds, experiences and identities bring. It fosters a culture of creativity, collaboration and productivity, enables people to reach their full potential, improves decision-making, boosts engagement and innovation, and puts us in a better position to meet the needs of our diverse stakeholders.

- We signed up to the Women in Finance Charter in September 2018 with 33% female representation in senior management. Since that time, we have stretched our target on two occasions; to 35% by the end of 2021 and again to 45% by the end of 2023.
- We are signatories to the Race at Work Charter with our CEO as the executive sponsor. This reemphasised our commitment to creating a workplace where there is opportunity for all and a culture that is welcoming and inclusive to everyone.
- In 2022 we celebrated the launch of our employee-led Pride network, which complements our already established Women@Brewin and EmbRACE networks.
- This year our Women@Brewin network celebrated its sixth year of helping colleagues to share experiences, provide peer support and access learning. We are also members of the 30% Club whose goals are to increase gender and ethnic diversity on boards and executive committees.
- We are a member of the Government's Disability Confident Scheme. In May 2022 we achieved level 2 'Confident'. We published new Workplace Adjustments guidance and a new process to support colleagues who need adjustments to be able to perform at their best.
- We have published neurodiversity guidance for all colleagues and specific guidance for managers to aid in supporting and creating the right environment for neurodiverse team members. We also launched a colleague led neurodiversity support group. Through our partnership with Wellness Cloud we also offer colleagues one-to-one specialist support.
- We continue to run diversity and inclusion workshops to increase understanding among colleagues; examples include Inclusive Teams, Inclusive Leadership, Disability Awareness and Allyship.
- In 2022 we continued our partnership with The Brokerage, a London based social mobility charity that helps less advantaged young people to achieve their career potential. In addition to our six summer interns we recruited six candidates from The Brokerage into entry level roles.
- Through our wellbeing benefits, we offer one-to-one consultations with menopause experts and on World Menopause Day, we ran a Q&A session with a specialist menopause medical practitioner. Enhancements made to the wellbeing services provided by Wellness Cloud include expert fertility consultations and enhanced pre and post parental leave coaching.

Corporate responsibility (CR)

We are proud of the work we do to support our communities. We have developed a three-tier CR strategy to deliver a programme to support our employees and the communities in which we operate at a corporate, office and individual level.

Corporate level

RBC Brewin Dolphin has partnered with the School for Social Entrepreneurs (SSE) to help equip social entrepreneurs with the skills they need to make their businesses a success. In the second year of our partnership we funded a 'Procurement Readiness' course which taught ten social entrepreneurs the skills they need to grow their businesses and start securing public and private sector contracts.

We also continued our partnership with Social Entrepreneurs Ireland (SEI) who help support social entrepreneurs in Ireland to take their solution to a social problem to the next level and build strong businesses.

Office level

Our 33 offices are encouraged and supported to choose local charity partners. Our offices have raised thousands of pounds through activities such as endurance challenges, bake sales, raffles and charity sports events.

Individual level

Colleagues can apply for community grants on behalf of local charities and can also claim matched funding if they have undertaken their own fundraising efforts. We have an active payroll giving scheme which allows our colleagues to donate to the charities of their choice through their salary each month, to which RBC Brewin Dolphin makes an additional contribution. We support our colleagues to give their time and expertise to others through mentoring, volunteering and microvolunteering.

Our responsibility to the environment

We consider that taking proactive steps to reduce our emissions is part of our work as a responsible business.

During 2022, following the RBC acquisition we started the process of aligning our operational emissions targets, with a focus on energy efficiency and renewable energy. We are contributing to RBC's operational goals of a 70% reduction in greenhouse gas emissions*, and increasing sourcing of renewable and non-emitting electricity to 100%, both by 2025.

We have continued our progress in replacing inefficient lighting with LED lighting and have completed the lighting replacement in two of our largest offices. We have carried out employee engagement sessions to educate and inform our staff on our aspirations and how they can contribute. Importantly, we have worked on a formalised approach to collect accurate energy use and carbon emissions data from our office network and business travel. This is essential so that we can accurately measure progress towards reducing our carbon footprint.

We have an electric vehicle leasing scheme. By allowing colleagues cost efficient access to electric vehicles, we aim to accelerate the reduction of our business travel footprint as we return to normal ways of working.

*The target is inclusive of our global operations, Scope 1, 2 and 3 (business travel) emissions, and uses a baseline of 2018

Investment beliefs and philosophy

What we believe:

– The key to successful investment management is robust and thoughtful management of the assets combined with strong relationships with our clients.
– Economic and business cycles are the most important drivers of capital markets.
– As long-term investors it is important to take a patient ownership mindset, while ensuring flexibility and the capability to respond decisively to changing market opportunities.
– Protection against inflation is paramount, while balancing risk and return through well-diversified portfolios.
– Effective stewardship, including engagement and exercising voting rights, is a key tool in delivering returns.

What we do:

– Our Research team takes a considered approach to asset selection and keeps our recommendations under constant review.
– Our direct equity selection focuses on high quality companies based on deep corporate and industry analysis.
– We look for sustainable long-term growth and include an assessment of ESG risks and opportunities in our research analysis process.
– The Research team regularly engage with the board and management of large companies and fund providers, as part of the due diligence and monitoring process.
– We engage several external research providers to support the investment process and our ESG work.
– We monitor controversies related to companies we own indirectly through third party funds and will actively engage with fund managers to understand the investment rationale and any outstanding engagement priorities they may have.
– We provide investment managers with a wealth of information to inform investment decisions. This has been expanded to include enhanced discussions of ESG risks and opportunities, and increased information on our engagement and voting activities.

Governance and policy

Our governance and policies support the delivery of good client outcomes and effective stewardship. One of our priorities is to enhance the roles of committees and policies to ensure that ESG considerations are fully integrated.

Stewardship Committee

Our Stewardship Committee, set up in 2014, has the broader aim of protecting our clients' interests as holders of securities and, where appropriate, proactive shareholder action is taken in the best interests of those clients. The Committee work closely with our Research team to confirm that our stewardship activities are integrated into our wider investment process.

The Stewardship Committee is responsible for:

- The oversight of stewardship matters;
- Ensuring our Stewardship Policy is adhered to;
- Regularly reviewing the Stewardship Policy;
- Monitoring voting records on an exceptions basis to ensure the effectiveness of the Stewardship Policy;
- Reviewing any stewardship matters that have been escalated to determine the appropriate approach.

The Stewardship Committee meets every quarter and on an ad hoc basis as required. As of Q4 in 2022 it was comprised of the Committee Chairman and representatives from our:

- Research team;
- Sustainability team;
- Investment Management teams;
- Charities and Intermediaries investment management teams;
- Risk and Compliance department;
- Wealth Governance team;
- Operations department;
- Legal team.

The Stewardship Committee oversees and confirms adherence to our Stewardship Policy, which is designed to support and promote good stewardship. It outlines our approach to stewardship and how we discharge our responsibilities, including monitoring, engaging, voting, escalating and reporting. Updates to the Stewardship Policy to reflect the Stewardship Code 2020 were carried out in late 2022 and approved in early 2023. As part of the review we updated our conflicts of interest approach and refined our voting process. Our revised Stewardship Policy, which came into effect in January 2023, is available on our website.

Changes to the Stewardship Committee

In the last quarter of 2022, Richard Platt, the chair of the Stewardship Committee stepped down as part of his retirement plan. This prompted a thorough internal review to fill the chair position, drawing from both existing members and other colleagues. At the end of the year, we were delighted to appoint Tom Blathwayt, our Head of Sustainability, as the new chair. The Committee also had some membership changes to ensure it continued to represent key parts of the organisation.

Senior client facing colleagues keep the Committee apprised of client views and interest in stewardship and feedback on the value of new initiatives such as our engagement priorities and voting policy. Our Head of Research Governance provides an insight into relationships with key service providers and our Head of Conduct Risk offers an invaluable perspective into the regulatory landscape and risks that must be considered.

Sustainability Committee

The Sustainability Committee is a sub-committee of our Executive Committee. This important committee sets the goals and strategy for the business for all aspects of sustainability. It also strives to ensure that related business, including stewardship activities, investment offerings and responsible business initiatives meet the Group's sustainability objectives, are clearly defined and have clear monitoring and reporting criteria. The Sustainability Committee has set a Sustainability Framework which links various components of our policies and processes to clearly defined sustainability objectives.

Our Sustainability Committee is comprised of a diverse range of key internal stakeholders. In Q4 2022, these included:

- Group People and Sustainability Director (Chair)
- Chair of Stewardship Committee
- Group Head of Wealth Governance
- Managing Director of Advice and Innovation
- Chief of Staff - Wealth Management
- Head of Research
- Head of Sustainability
- Chief Strategist
- Chief Risk Officer

Responsible Investment Statement

In 2022 we reviewed and made minor updates to our Responsible Investment Statement, which is a requirement of signatories to the UN-supported Principles for Responsible Investment. This statement outlines our overall approach to ESG integration and stewardship. The statement can be found on our website.

Conflicts of Interest

From time-to-time conflicts of interest will inevitably arise. That does not mean we stop acting in our clients' best interests, which remains our primary duty. We have therefore set out our approach in our Conflicts of Interest Policy.

Our Conflicts of Interest Policy, an overview of which can be found on our website, sets out the minimum requirements that must be followed to identify and manage conflicts. The key principles of this policy are as follows:

- the identification, assessment and recording of all potential and actual conflicts of interest in accordance with the applicable legislation and regulations;
- effective communication and training of all colleagues regarding their roles and responsibilities in identifying, resolving or managing actual and potential conflicts of interest; and
- that all conflicts of interest, of whatever nature, are managed in accordance with the applicable rules and regulations.

When an actual or potential conflict of interest arises from our stewardship activities, we will always put the clients' best interests first. All identified conflicts of interest, both actual or potential, must be reported to management and a register is kept by a dedicated 'liaison point' in each department. Conflicts are then managed through a series of appropriate controls and disclosures. Our Conflicts of Interest Policy is reviewed at least annually. In addition, its effectiveness is reviewed by our Compliance Team on an annual basis and reported to the Risk Management Committee.

Our Stewardship Policy clearly outlines actual and potential conflicts specific to stewardship. These have been identified by assessing our various stewardship activities and how they relate to the investment process.

At the end of 2022, we once again reviewed our policy and monitoring mechanisms. Based on our review, we clarified some of the wording in the policy and made small adjustments to reflect the acquisition of Brewin Dolphin by RBC by, for example, removing references to shareholders and investor relations. We also examined a potential scenario whereby RBC securities become part of our voting process. We believe this type of situation would create a de facto conflict of interest for our research analysts, and upon review by the Stewardship Committee, we added it as potential conflict in our policy and established a monitoring process.

Our conflicts related to stewardship now include:

– **Where the director of an investee company is a client:** We strive to ensure that our votes are exercised in the interest of our broader client base. We would achieve this by having the decision made by non-client facing staff in our Research team.
– **Where a RBC Brewin Dolphin Group entity is engaged with an investee company in the context of a potential corporate transaction or strategic alliance:** In the unlikely event that our Research team is aware of the engagement, our Stewardship Committee would take responsibility for the vote. They would confirm there is no overlap between the Stewardship Committee membership and decision making (in respect of the corporate matter). If it were not possible to manage the conflict in this way, we would not vote.
– **Where an officer of RBC Brewin Dolphin also serves as an officer of an investee company:** In these circumstances, our Research team would be made aware of the conflict and would abstain in voting for their (re) election.
– **Where we are exposed to price sensitive information relating to a third party:** We believe that acting in our clients' best interests involves us retaining the freedom to make independent investment decisions on their behalf. In the unlikely event that one of our employees receives price sensitive information, we follow company policy regarding insider dealing and market abuse to help us ensure that we comply with our legal and regulatory obligations. Mechanisms such as information barriers can be put in place to help ensure this information does not influence investment decisions.
– **Where the stewardship preferences of our clients differ:** Our clients are free to vote their own shares if they have a particular view. If two clients vote in different ways this will be honoured and their votes will only affect the shares they hold.
– **Where any RBC Bank securities (including listed subsidiaries) become part of our voting process:** in this instance, we will not vote.

In 2022, RBC Brewin Dolphin did not encounter any material conflicts of interest relating to its stewardship activities.

Remuneration Policy

Our Remuneration Policy is implemented by the Remuneration Committee. It is designed to support our business strategy and considers factors including risk appetite, conduct, market practices, risk management and conflicts of interest. Laws and regulations are also taken into account, such as the Remuneration Code of the Financial Conduct Authority.

The remuneration of our Executive Committee members is based on both financial and non-financial targets and will include objectives relevant to sustainability. This year an objective has been set regarding the development of our Sustainability Framework, which includes its structures and policies as well as an enhanced stewardship approach. Key to the development of a comprehensive framework (in addition to governance) is the integration of ESG into the firm's risk management, which is continuing to evolve.

Remuneration and rewards for all colleagues are aligned with our business strategy and incentivise prudent risk management and good stakeholder outcomes. Our rewards drive performance over both the short and long-term and avoid incentivising excessive risk taking. This is very much aligned with stewardship and responsible business, as the nature of both tend to be skewed towards the longer-term time horizon and are focused on the reduction of risk.

Internal Assurances

It is vital that everything we do is fair and not misleading. As we develop our approach to responsible investment and stewardship, the key question we ask at every stage is 'how can we measure and report this?'

Our Head of Sustainability, Chief Strategist and Head of Research have oversight of the decision-making processes followed by our analysts with regards to voting and engagement, and key relevant activities are reported to appropriate committees on a regular basis.

We strive to ensure this report is fair, balanced and understandable through a network of internal expert and non-expert colleagues, all providing assurances on the fairness, balance and clarity of its content. Our Risk and Compliance function serves as our second line of defence, providing challenge on our Stewardship Policy and processes. For example, representatives from Risk and Compliance have reviewed our Stewardship Policy and this report. This contributed to continuing enhancements made to the Stewardship Policy, governance and certain processes. Furthermore, our stewardship reporting, processes and approach are under the remit of our internal auditors, BDO. When specific recommendations for improvements are made, we take these on board and strive to ensure any recommended actions are undertaken as appropriate.

Our Review of Governance

As part of our heightened focus on sustainability and to serve the best interests of our clients, we regularly evaluate how our governance structure and resources support stewardship implementation. In 2022 the Research team grew with the addition of a dedicated Stewardship Manager. While all stewardship activities are fully integrated within our research process, we considered that creating this new role was necessary to ensure clarity, consistency and increased ambition across our stewardship programme. To reflect this higher ambition, we also worked towards increasing further the number of staff working on stewardship, by making internal appointments and creating hybrid roles. From 2023, we expect the number of dedicated stewardship staff to increase to the equivalent of 2.5 full time employees.

Our commitment to Stewardship and ESG

2022 has been another important year for sustainability at RBC Brewin Dolphin. We have deepened our commitment with new team members, processes and capabilities.

Our Sustainability team is tasked with striving to ensure that all aspects of sustainability - responsible investment, stewardship and being a responsible business - are integral to RBC Brewin Dolphin. The team works closely with colleagues from all business areas and reports to our Group People and Sustainability Director. The Sustainability team's work is directed and overseen by the Sustainability Committee. Reporting lines and more details can be found on page 15 and 16.

A number of colleagues from across the business help shape our stewardship activities, via formal and informal channels and ongoing feedback. This includes representatives of our leadership team and our Stewardship Committee members: their combined and diverse experience across many aspects of financial services, including legal, compliance, governance, strategy, research and managing investments for clients, has been instrumental in helping us set and deliver on our stewardship goals. Biographies for these colleagues, detailing their experience and qualifications relevant to stewardship, are shown in the appendix.

To reflect our deep commitment to stewardship, we have always set our award-winning research team at the heart of our stewardship process. The team consists of 17 expert analysts and research assistants, who monitor, vote, make recommendations on, and engage with, our investee companies and funds. Given the prominence of stewardship now and in the future, during the year we appointed our first dedicated stewardship colleagues to better resource the team. All stewardship roles sit within the Research team, to help ensure that it remains a key part of investment decision making.

At RBC Brewin Dolphin, we are supportive of continued learning and development. This is particularly important for key and fast changing areas such as responsible investment and stewardship. As a regulated firm, RBC Brewin Dolphin has a Training and Competence process to help ensure that colleagues across the business have appropriate training and skills to fulfil their roles and responsibilities. These sessions cover topics such as anti-money laundering, data security, conduct and risk. A number of our colleagues have also elected to complete their CFA Certificate in ESG Investing on a voluntary basis, to enhance their knowledge and capabilities.

To bring a level of knowledge on stewardship and responsible investment to all of our colleagues, our Learning and Development team have created a series of videos on these important subjects. These videos give colleagues an insight into the basics of responsible investment, sustainability and stewardship, whilst also providing vital updates on RBC Brewin Dolphin's work, commitments and progress. This year we also worked with our Learning and Development team to conduct a series of simulated client interactions with colleagues from across the business in client facing roles. The aim of this exercise, to be undertaken in the first half of 2023, is to assess awareness, understanding and representation of our sustainability and stewardship work. The outcomes will inform a comprehensive review of related training materials and tools available to colleagues.

Members of our Stewardship Committee are also provided with learning materials and exposure to industry events, as well as regular updates on industry and regulatory developments. We believe that this way we can complement members' diverse skills and experience, enhance or maintain their knowledge, and enable them to effectively challenge the process where necessary.

Leadership and Expertise

Richard Buxton

Group People and Sustainability Director

Tom Blathwayt**

Head of Sustainability

Guy Foster

Chief Strategist

Davina Rich*

Head of Research

Marc Wilkinson

Head of Investments

Peju Animashaun

Assistant Director Risk and Compliance

Athanasia Karananou*

Stewardship Manager

* Also a member of the Stewardship Committee

** Appointed as Chair of Stewardship Committee in December 2022

Our Stewardship Committee

Nik Stanojevic

Divisional Director
Senior Analyst,
Equities

Richard Mack

Manager, Business
Support

Alissa Foale*

Divisional Director,
Chief Legal Officer

David Orford

Group Business
Performance Director

Adam Jarvis

Divisional Director, Senior
Investment Manager

Antony Champion

Head of Intermediaries,
UK and International

David Martindale

Head of Wealth Advice
and Governance

Velan Indrakumar

Head of Conduct Risk

Vicky Friedlander

Divisional Director,
Investment Manager

Kelly Eva

Sustainability Manager

Marina Chernyshova

Head of Research
Governance

Rohit Bhandari**

Senior Lawyer

Richard Platt***

Regional Managing Director
of Central Projects

* left Committee in 2022

** joined Committee in 2022

*** Outgoing chair of the Stewardship Committee

ESG integration

6 principles of the PRI

- **Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.**
- **Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.**
- **Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.**
- **Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.**
- **Principle 5: We will work together to enhance our effectiveness in implementing the Principles.**
- **Principle 6: We will each report on our activities and progress towards implementing the Principles.**

Responsible ownership of assets underpins our approach and ESG integration is a formal part of our research processes.

The responsible investment objectives of the Research team are to support long-term value creation for investors as well as good societal outcomes.

We are signatories to the UN supported Principles for Responsible Investment (PRI) and have adopted their six principles as our guide to fully integrating ESG issues into our work.

Direct equities

Our equity analysts have always thought beyond 'traditional financial' factors, and via our integration process they incorporate ESG risks and opportunities into their research and recommendations in a documented and consistent way. Their proprietary work is supported by company ESG data from Sustainalytics as well as several other sources that cover ESG aspects as required.

ESG considerations will vary according to the company in question, as well as its sector and location. We will consider the risks and opportunities deemed material in each circumstance. Our assessment of what is material is based upon the expert knowledge of our analysts as well as the research provided by Sustainalytics.

ESG in equity analysis: Example of considerations for Croda International plc

Category	Company traits sought may include:	ESG related considerations
External Positioning	- Attractive growth characteristics - Durable competitive strengths - High return on capital - Efficiency of company within industry - Resilient and adaptable business model	✓ Croda is driven by the desire for improved wellbeing, which is key for an ageing population. Its technologies are enablers: they are low volume additives that enhance or imbue critical properties of products such as vaccines or drugs. ✓ Competitive strength based on Intellectual Property (IP) and capacity to support a knowledge intensive industry. Operates direct selling model which integrates the company at the heart of the production process of its clients. ✓ 20% Return on Invested Capital, 9% Net Operating Profit After Tax. ✓ Second European chemical company to announce Science-Based Targets limiting global warming to 1.5 degrees. ✓ Croda identifies areas where its clients are not present and offers opportunities for them to expand into new trends, such as environmental protection and wellbeing.
Internal Qualities	- Corporate individuality - Allocation of capital - Positive corporate culture - Strong corporate governance - Diversity on board	✓ The company has sustainability at the centre of its strategy and is well-positioned to capitalize on the premium consumers and investors are willing to pay for SRI products. ✓ Croda is committed to improving the health and well-being of the world through involvement in the development of 25% of the WHO's listed pipeline vaccines and protects 60m people from skin cancer with its solar care products. ✓ Croda's purpose "Smart science to improve lives" harnesses innovation and ensures a positive effect on its own ecosystem as well as the broader society. ✓ On top of a strong corporate governance, executive pay includes sustainability measures. Continued increase in women in leadership positions and full gender parity on the board.
Analytical Assessment	- Comfort with E, S & G risks	✓ Croda is leading the industry in the switch to bio-based inputs and has processes in place to safely handle dangerous products, while working to move towards more environmentally safe products.

Stewardship is present throughout the recommendation process. We engage with companies, where possible, before initiating coverage, and will engage on an ongoing basis on material factors, including those related to ESG issues. Once we are invested, exercising our voting rights in a proportionate manner becomes another priority. Using voting and engagement as concurrent, linked up strategies, is crucial in order to achieve our stewardship objectives.

In our direct equities engagement section, we highlight our engagement with Croda to showcase how stewardship works in practice alongside the integration process detailed above (page. 31).

Fund selection and monitoring

Within our Research team, our analysts will examine the ESG integration and stewardship capabilities of each fund manager and their fund house as part of the recommendation and monitoring process. Our ESG due diligence covers five broad sections: firm culture and commitment to responsible investing; ESG analysis integration in investment philosophy and process; active ownership and engagement; and reporting.

This process applies to active fund types that we add to our buy list. The Research team regularly monitors the funds we recommend, holding at least two meetings per year. One of those is always a group-wide meeting giving our Investment Managers an opportunity to hear directly from our external managers and ask questions. In our experience, our external managers also welcome this set up, which gives them the chance to provide context and get direct feedback.

We have a separate socially responsible investing (SRI) list for funds which aim to deliver attractive investment returns while contributing positively to global environmental and social challenges. All the funds on our SRI list go through a further selection process, which consists of three parts:

1. Exclusions – funds that seek to exclude companies involved in tobacco, controversial weapons, thermal coal, gambling, and adult entertainment*
2. ESG leaders – funds that are industry leaders in integrating ESG factors into investment decisions and stewardship activities
3. Impactful companies – funds that invest in companies which contribute positively and measurably to social and/or environmental challenges.

When reporting to clients on our Sustainable Managed Portfolio Services (SMPS), which consists of SRI funds, we provide further information on portfolio alignment with metrics such as carbon intensity and alignment with the UN Sustainable Development Goals (UN SDGs).

Case study: Utilising the UN SDG Alignment scores to monitor our Sustainable MPS

The UN SDG Alignment provides a framework for considering a broad set of 17 sustainability issues. Although not intended for investment purposes, it provides a useful context for measuring a portfolio's alignment with these goals. We select 12 of these SDGs and place them into three sustainability themes: People, Planet, and Prosperity, with each sustainability theme consisting of four SDG goals. We use fund alignment data from MSCI to measure the alignment of the portfolio to each of our three sustainability themes.

In Q4 2022 we saw a significant reduction in some of the portfolios' SDG alignment scores as calculated by MSCI. This was the first time we had seen a change in alignment of this magnitude. After investigating with MSCI, we concluded that this was due to a number of companies being downgraded on their alignment following the release of the Office of the United Nations High Commissioner for Human Rights (OHCHR) publication, "Assessment of human rights concerns in the Xinjiang Uyghur Autonomous Region, People's Republic of China". This looked at the involvement of companies' supply chains with forced labour, and several large companies have been found to have suppliers operating in the region.

We have engaged previously on supply chain issues with fund managers as part of our controversy tracking process on two occasions and been satisfied with the companies' actions in both cases. In 2023, we will be looking to raise this with more fund managers in relation to the most exposed companies. Ultimately, we believe this reduction in alignment is a positive, for three key reasons:

- *this change represents companies being held to a higher standard and shines a light on contentious business practices;*
- *ESG data is a relatively nascent field, and the inclusion of more information represents a small step in the path towards maturation;*
- *the change in scores triggered an investigation, demonstrating that SDG alignment, while not a direct input into our research process, is providing a useful extra source of insight and monitoring into our portfolios.*

We do not stop at the fund selection process, but actively track and monitor what our funds are doing in terms of stewardship. One aspect of this approach is through our innovative controversy tracking. Our Research team continually tracks news flow for controversies in the companies to which we are indirectly exposed. We assess specific issues and, if significant enough, reach out to our fund managers that hold the company in question. We aim to understand how they are monitoring and engaging on these issues, and the effect on their investment approach.

Last year we adjusted this process to monitor more effectively our large passive investment managers. For these funds, we still examine the fund houses' capabilities and focus even further on stewardship, given the constraints faced by index trackers. However, as these funds hold entire indices, tracking individual controversies

*Involvement is defined as greater than 10% of sales/revenue in the listed areas.

would mean engaging with them on a disproportionate basis. Instead, we introduced annual meetings covering stewardship resources and processes, as well as discussing their approach to climate, voting records and specific engagement case studies – stemming from our identified controversies.

We provide more details on how we monitor our fund managers on page 33.

How we communicate

Our research is disseminated to investment managers via methods such as our intranet, emails and our daily company-wide research call. We hold weekly 'open analyst hour' meetings for all client facing teams, in which analysts will present and answer questions on one or two companies, or fund recommendations, including their ESG credentials.

We strive to communicate our engagement and voting activities to our investment managers in a clear and accessible way, helping to ensure that they can then communicate in the same way to our clients. Over the course of 2022 we have produced four Quarterly Stewardship Updates, which complement our annual reporting. These updates are designed to give a snapshot of our recent stewardship work providing voting statistics and case studies on important votes or engagements. We believe that short, regular updates best enable us to share insights with investment managers and clients.

In November we held our annual RBC Brewin Dolphin Investment Training Conference. The conference is hosted by a range of leading asset managers, updating our investment managers on a broad array of funds and asset classes. This year stewardship was a key theme for our own sessions at the conference, as we hosted four workshops with high levels of participation. We made use of this opportunity to provide updates, collect general feedback, but also meaningfully engage with our investment managers from across the UK and Ireland on upcoming stewardship priorities.

Accommodating client views

Our analysts highlight ESG risks and opportunities so that our investment managers, who know their clients best, can make informed decisions that align with their objectives. Our broader process does not tend to take a moralistic view. However, we are conscious of our diverse client base and their diverse objectives, and strive to offer appropriate options.

For example, our clients can request additional restrictions for their portfolio and investment managers have access to a number of ethical screens, which can be used to monitor specific client ethical requirements. These screens can be matched to preferences to avoid investments in certain sectors, for example, tobacco or alcohol.

In 2022 we also introduced a 'firm-wide restrictions' framework. The framework sets out RBC Brewin Dolphin's approach and process to set, manage and monitor firm-wide exclusions on direct equity investments in highly controversial sectors. While divestment is not a central part of our responsible investment approach, the framework allows us to manage the risks of being directly invested in highly controversial sectors or companies by giving us the ability to 'draw a line' and identify sub-sectors and activities that we do not invest in. Companies involved in such highly controversial activities can pose greater investment and reputational risk to us and our clients. We already restrict certain asset types or sectors, such as cannabis, Russian securities and contingent convertible (CoCo) bonds. In October 2022 we introduced a firm-wide restriction on companies with involvement in weapons banned under international treaties (anti-personnel mines, cluster munitions, chemical weapons, biological weapons, incendiary weapons, non-detectable fragments and blinding lasers). We use data provider Moody's ESG Solutions to identify which companies meet these criteria.

Progress and looking ahead

Going forward, we will explore how we can better capture the stewardship views and objectives of our clients and feed them into our activities.

We are continuing our work to automate our ethical screening system and launch further responsible investment offerings for our clients. We look forward to the new FCA Sustainability Disclosure labeling regime which will help provide much needed clarity and consistency in the UK market; and synergies with RBC, to help ensure the best offerings for clients.

Service providers and partners

We work with ESG and stewardship related service providers to support our delivery of the best service to our clients. These experts carry out in-depth ESG and stewardship research on a much larger scale and more comprehensively than we could do independently.

These relationships are overseen and managed by our Head of Research Governance. They are reviewed regularly to confirm service providers are fulfilling our expectations.

This year we re-examined the majority of our existing relationships with a particular focus on stewardship related services. Via this review process we were able to challenge our current providers where needed, which ultimately strengthened our relationships. We learnt about new capabilities and work under way. As a result of the review, we also decided to undertake a search process for a dedicated platform that will allow us to better track and report our voting and engagement activities, across our direct and indirect holdings. We will finalise this new appointment within 2023.

Case study: ISS

Institutional Shareholder Services (ISS), our proxy voting research service, provide recommendations on how to vote for our core holdings. We use their services because they have the dedicated resources to highlight matters that might not be identified through our own monitoring processes. Specifically, we employ the ISS Sustainability voting policy, helping to ensure that the voting recommendations we receive are better aligned with our views on sustainability issues.

However, our research analysts have the final say on how we vote, and they instruct their voting decisions to our Corporate Actions team for execution. When we disagree with ISS's recommendations, this is mainly due to our analysts' deeper insights and engagement dialogue with our core holdings. In 2022 we voted contrary to at least one ISS recommendation in 49 meetings.

When necessary, we also engage with ISS for clarifications, and provide feedback on the quality of the analysis. This year, upon comparing the ISS standard research vs. the ISS Sustainability research for a particularly controversial resolution, we took the view that the underlying analysis did not justify sufficiently the difference in the voting recommendation. We therefore escalated the issue and provided our feedback and recommendations to ISS directly via emails and a meeting. We were satisfied that our feedback was taken on board.

Case study: MSCI

As a responsible investor, it is important to us to monitor the CO2e emissions of our holdings, both directly owned and within funds. Whilst this is a backwards looking metric, it is useful for showing progress in the transition to a net-zero society and providing information that could be beneficial for voting and engagements.

We set out to monitor our investments quarterly, using the following equation:

$$\sum i, n \; \frac{\text{Company i shares held by RBCBD} \times \text{share price}}{\text{Enterprise Value inc Cash}} \times \text{company i emissions (scope 1 and 2)}$$

It soon became apparent that with the data we were taking from MSCI this approach was unsuitable for such regular reporting and gave potentially misleading results. This came down to the fact that the Enterprise Value Including Cash (EVIC) figure they recommended was updated annually, whereas current values are much more dynamic, taking into account latest share price and number of shares held. As a result, falling investment values, as we experienced over the past year, produced a disproportionate fall in emissions.

We engaged with MSCI, explaining the situation and drawbacks of the data. After a number of interactions, in which we worked together to find a solution, it was decided to amend the calculations used to enable more accurate, albeit annual, reporting. We now apply the Total Portfolio Footprinting (TPF) Solution, developed in line with The Partnership for Carbon Accounting Financial (PCAF) standards.

Engagement

Our approach to direct engagement

We believe active engagement is key to being a responsible owner, particularly when linked to material issues which might affect the long-term value of our clients' holdings.

Material issues identified via our stewardship monitoring may lead us to engage directly with an investee company, or engage with a fund manager that is invested in the company. These could include concerns about the company's strategy, performance, governance, remuneration or approach to risk, and severe controversies including those that may arise from social and environmental matters.

Given the nature of our business, the ultimate investment decisions are made by our community of investment managers and in some cases directly by their clients. We cannot meaningfully engage with every company in which we invest and therefore prioritise our engagements, considering PRI guidance for different asset classes.

Our internally managed listed equities account for 23% of our AUM. For these, we focus our engagements on the top 75% of holdings, which represents on average around 100 stocks. This list is updated monthly. We believe that, as our largest holdings, stewardship issues at these companies represent the biggest risk, and opportunity, to our clients. For companies outside of this 75%, we will engage on an ad hoc basis when significant risks have been identified or following a controversy that we consider material. For example, a controversy that impacts a whole industry or an issue that affects a whole region may lead us to engage with multiple companies, some of which we may hold relatively little. For fixed income, we hold very little directly, only 2% of our AUM (two thirds of which is Government debt) and as a result, we do not generally undertake direct engagement. Our position as both bond holder and shareholder in the same company may however influence our decision to engage.

The majority of our AUM is managed externally, and our exposure is mainly via equity collectives (48%) and bonds (13%). Therefore, for these asset classes as well as for other collective investments e.g. multi-asset funds, we focus our efforts on monitoring the fund managers' engagement approach. We prioritise these engagements based on the size of our holdings, the scale of the problem, and where we identify specific ESG risks or areas where we can influence real change. For more information on how we engage with fund managers including through our controversy tracking process, please see page 34.

The overriding objective for our engagements is the execution of our fiduciary duty to our clients and creation of long-term value. This does not mean that we will pursue financial objectives at the expense of sustainability, or vice versa, as very often the two go hand-in-hand. We are always cognisant of our suitability obligations to our clients and their specific preferences.

Direct engagement activity

Our engagement activity this year once again has been broad in its scope, covering a variety of asset classes and topics. Given our exposure, expertise and resource, the main asset classes covered have been direct equities and funds.

Direct Equities

In the year to 31 December 2022, we had 20 direct engagements across 15 companies with an ESG related objective. These figures may appear relatively conservative. However, we consider our definition of engagement to be robust: we will only count as engagement purposeful interactions with a specific objective and where a particular change or outcome is sought.

In fact, over the year we had an additional 11 engagement meetings across 11 companies covering ESG issues more broadly; and 40 meetings across 34 companies not relating to ESG issues. These additional conversations were about providing feedback and/or information gathering exercises, however they still have huge importance. They are crucial for building relationships with senior management and board members and sharing our priorities and broad expectations relating to stewardship and engagement. These conversations also pave the way for meaningful engagement if we identify a material issue in the future.

A key issue within our direct engagements this year has once again been to understand the approach of the company to ESG issues. Remuneration has also been an important feature, especially for UK companies that are required to seek shareholder approval for their policies every three years. Many of our interactions focused on fundamental aspects of good governance such as board composition and diversity, covering both gender and ethnicity. The remaining engagements this year focused on climate and transition strategies, other environmental issues such as circularity and energy efficiency, social housing, and capital allocation.

Some of these engagements are ongoing and not yet at the stage where we can disclose details. We believe that it is important to respect the confidentiality some sensitive engagements require and will release further details when it is appropriate to do so. However, we are mindful of the need to balance confidentiality with expectations for greater transparency. We provide more visibility to clients and other external stakeholders via our quarterly updates that include engagement case studies. In assessing the content of our updates, we found that we provided more case studies related to voting and engagement, which are largely reactive activities. In the year ahead we will be looking to communicate more information regarding our proactive engagement efforts.

Case study: Stewardship in practice at Croda International plc

UK companies put forward an advisory vote on their remuneration policy every three years. Ahead of their new three-year policy, we engaged with a number of our holdings to provide feedback on proposed changes and alternatives where suitable.

In the last quarter of 2022, we reviewed the consultation materials provided by Croda and identified improvements and areas of potential concern. We communicated those to the company via an in-person engagement meeting between the Remuneration Committee and a small number of investors.

We were generally supportive of the overall quantum of the increases, as the business grew larger and more sophisticated than three years ago. However, our view was that these increases should come entirely in the form of equity, to better align shareholders and management. We also felt that more clarity was needed on the proposal to create headroom up to 200% of salary in the annual bonus for exceptional circumstances. It was unclear to us what these exceptional circumstances would be, and we would prefer management enjoyed any exceptional upside via equity ownership.

We also welcomed the introduction of ESG measures into pay, but we probed the lack of definitions and commitments for the bonus plan, even at a high level, as well as the choice of safety as a metric. The questions we posed stemmed from our deep understanding of the business, made possible through our ESG integration research process. These comments were of particular interest to Croda, who showed a willingness to take them into consideration as they refine their approach.

Other issues raised during the meeting was the potential to increase even further the shareholding requirement, which is a crucial part in our view, and ensuring that any salary increases for executive directors are in alignment with the wider workforce experience.

Ahead of the AGM we will be reviewing the final proposal, and our support will depend on how the final policy addresses our concerns. Our engagement ahead of the meeting gives us insights and confidence to vote in an informed way, and continue our constructive dialogue with the company.

Case study: Continuing our engagement on microplastics

The loss of plastic pellets into the environment is one of the major sources of microplastic pollution, a threat to biodiversity and human health. This remains a key issue for us, and one that we have consistently reported on during the last few years. Back in 2021, as a member of the Investor Forum, we co-sponsored an auditable BSI standard aimed at preventing the loss of plastic pellets into the environment across the entire plastic products supply chain, and in 2022 we joined over 120 other businesses, the WWF and 1,000 civil society organisations in encouraging the UN Environment Assembly to agree to a legally binding UN treaty on plastic pollution (see page 37 or more details).

To help ensure that this work feeds into our own thinking and processes, during the year we engaged with our external asset managers to raise awareness of the BSI PAS 510 standard and encouraged them to use it as an engagement tool (see page 33 for more details). We also looked at direct holdings to assess exposure and how we can integrate the standard in our own engagements. Based on our research we have sought further dialogue from companies in the consumer goods sector, including Nestlé and Reckitt Benckiser.

Nestlé was aware of the standard and, although they do not follow it, they went on to explain their approach. The company confirmed that the issue is particularly relevant to their water business, as it manufactures some preforms and therefore handles PET resin. They outlined in sufficient detail the robust standards and process for handling and managing plastic pellets, covering transit and production. For the rest of their business, plastic resins used by Nestlé are primarily purchased and converted by packaging suppliers who are GMP- and ISO-certified. They are required to comply with strict rules around load restraints during transport and appropriate disposal of non-used products at certified waste management facilities, and Nestlé experts perform regular on-site safety and compliance audits to ensure they adhere to this.

In our dialogue with Reckitt Benckiser, we discussed their broader approach towards plastics and specific targets in terms of plastic reduction. The company clarified that plastic pellets are not used in the direct manufacturing process, as that part of the process is 100 per cent outsourced by buying pre-formed plastic. The company were not aware of the PAS 510 standard and acknowledged that they had not previously engaged with their suppliers on this issue, which they would now consider doing so.

We will keep monitoring progress on this issue, with a particular focus our consumer companies and supply chain standards. However, we have also concluded that, going forward, further regulatory action may be necessary to level the playing field across the chain and ensure we get the systemic change needed to tackle this problem. Therefore, we will also monitor regulatory developments or convergence towards one certification scheme closely, and consider lending our voice individually or via our Investor Forum membership.

Collective investment funds

Because of the nature of our business, many of our clients own a combination of third-party funds and direct equities. As a responsible investor, we believe that stewardship must extend beyond our direct investments and into our funds as well. When we have engaged with fund managers on ESG issues, these often focus on the ESG integration practices of the fund managers, whether they are industry leading or falling below average. We may also speak to them about their own engagement activity and reporting.

As part of our microplastics programme, during the year we engaged with 41 of our external asset managers to raise awareness of the PAS 510 standard aimed at preventing the loss of plastic pellets into the environment. We encouraged them to use it as an engagement tool with any relevant investee companies in relation to pellet handling operations, and support its adoption where possible to seek demonstrable compliance throughout the plastics supply chains. Of the managers that responded 26 told us that they engaged on broader topics e.g. plastic waste, and half are considering the applicability of the PAS 510 to their universe and the value of engaging on this. Of the 26 who engaged on broader plastic related topics, some felt that a British standand would not apply to their non-British companies whereas others focus on topics which they concluded had higher materiality. Seven fund houses were aware of the standard but only four engaged, most citing a lack of data as a main impediment. As our own knowledge and engagement on this issue progresses, and regulatory standards evolve, we will revisit this engagement as needed.

In 2022, proactive engagement with our fund managers also covered a number of other issues such as ethnic diversity (see page. 51 for more details) and climate.

Case study: Engaging our fund managers via the Transition Pathway Initiative

This year we concluded our second round of engagement using the Transition Pathway Initiative (TPI) dataset to assess our indirect exposure to high-emitting companies not adapting their strategies to align with international climate goals. The TPI is a global, asset owner-led initiative which assesses companies' preparedness for the transition to a low carbon economy.

Using this data, we reached out to 45 fund houses, covering 129 funds, which hold approximately 100 companies showing as non-aligned. We asked managers to comment on how they have assessed the attempts of these companies to reduce emissions and the financial implications of failing to comply with global pledges. We also wanted to understand any engagements that had been undertaken, voting records and assessment of company progress.

Most fund houses responded in an efficient and timely manner, with the majority of responses showing a thorough knowledge of the underlying company and the associated climate risks. The most impressive responses had clear and rigorous processes to assess and engage on climate risk across multiple teams, and showed genuine incorporation of related factors into investment decisions. They also demonstrated commitment through supporting multiple initiatives.

It also became clear to us that some of the large fund houses without an organisation-wide approach had disparity in approach across teams, resulting in potentially sub-optimal outcomes. While some of the smaller firms have started to implement climate-related policies at a company level, we have yet to see how these policies affect investment decisions and outcomes of their engagement. The responses were ranked, and feedback was provided to each fund house. In the year ahead, we will be looking into carrying out the engagement again, building on the last two years of responses.

Our innovative controversy tracking initiative enables our specialist fund research analysts to work with the managers of our buy-list funds, to help ensure that companies to which we are indirectly exposed are being correctly monitored and engaged with where appropriate. We receive inputs from Sustainalytics, Moody's ESG Solutions, and on an ad hoc basis from members of our Sustainable Investments Advisory Group, who are tasked with providing feedback on our controversies process and have access to every step of the tracking and decision making. We may also on occasion engage on controversies based on feedback from our Investment Managers, who represent the client voice.

Our controversy tracking philosophy

Real-time analysis of ESG leadership

- ESG leadership is often assessed by a collection of factors, such as policies, reporting or committees. However, we believe that you only truly know how a company treats stakeholders when controversies emerge.
- We evaluate a fund's ESG integration predominantly by analysing its past investment actions. Monitoring their response to corporate controversies can build evidence or provide challenge to our conclusions.

Monitor funds' stewardship processes

- Our controversy tracking process allows us to monitor their activities as they are happening, as well as the initial due diligence we undertake with each fund.
- We will escalate matters within a fund house where we feel their engagement is not of a sufficient standard.

In 2022 our process highlighted 16 controversies that we felt warranted further engagement. In total, we made contact 133 times with fund managers to confirm their awareness of the issue, rationale for continuing to hold the company in question, engagement efforts and next steps. These controversies represent real world issues that have the potential to affect not only investment returns but wider society. These include, for example, supply chain issues and labour rights, water contamination with per-and poly fluoroalkyl substances, or PFAS, (also known as forever chemicals) and business ethics and governance failures. Through this process, not only do we encourage better outcomes for the underlying companies, but we also effectively monitor funds' ESG and stewardship processes.

It is not just a case of simply highlighting controversies to fund managers. Our Fund Research team request detailed responses from managers, explaining their position on the controversy, any engagement work they are undertaking and any impact it might have on the rationale for continuing to own the stock. Some responses have been exceptional, whereas some have been lacking in detail which has led to further interactions with management to express our concerns and suggest improvements to processes.

Throughout the year we also held meetings with seven of our largest passive managers. These meetings covered topics such as stewardship resources, approach to engagement and voting, climate and specific issues identified by our controversy tracking process. Through our discussions, we were able to identify clear differences in the strength of stewardship processes in place and provided relevant feedback. We will be embarking on this exercise again in 2023, with a view to also looking into potential escalation pathways when concerns have not been addressed.

Case study: Controversies on supply chain issues at PepsiCo and Marks & Spencer

Over the past years, PepsiCo has been repeatedly criticised by several NGOs for its indirect involvement in abuses related to its supply chain and palm oil sourcing in Indonesia, Cambodia and Papua New Guinea. Allegations against PepsiCo allude to its supply chain being involved in cases of land grabbing and violence against local communities, with links still highlighted in NGO reports issued in 2022. We agreed that these supply chain issues could, as a minimum, only harm the reputation of company. We therefore engaged with ten fund managers across our buy list to assess their understanding of the issue and approach.

We were pleased to find that the majority of our managers had already identified these issues as an area to be *monitored closely and had been engaging with the company to track progress. Most managers who had not engaged with the company were aware of the issue and went on to explain why it was not prioritised. While the quality of explanations varied, this gave us additional insights into the managers' processes, and we provided feedback accordingly. A few of our managers also indicated appetite for further monitoring and engagement on this issue, either as part of ongoing engagement plans or prompted by our questions – with two outlining clear next steps for engagement with the company and areas for improvement. Overall, managers were able to back their continued confidence in how the company is managing associated risks.*

Our controversy tracking initiative also highlighted Marks & Spencer (M&S) for persistent involvement in several labour rights violations in its supply chain across several regions, with the most recent ones taking place earlier this year. We believe that supply chain risks are particularly pertinent for the company, and can be quite detrimental from an operational and reputational perspective for companies such as M&S. Therefore, we engaged with eight fund managers to understand the potential impact of these allegations to their investment case for M&S, while also reviewing their ESG processes and stewardship approach.

Some of the responses we received were particularly positive, with managers already in dialogue with the company over some of these allegations or engaging on the back of our questions. Encouragingly, a few of our managers secured detailed responses by the company that provided reassurance on the level of importance placed on these allegations, the efforts to understand their validity, and steps taken to remedy any issues that were indeed identified. We provided feedback to all our managers, either to positively acknowledge their efforts or, where needed, challenge their approach towards supply chain risks and the depth of their engagement.

This year we went further than proactive and reactive engagement on a more systematic basis: for the first time we asked all fund managers in our SRI list to provide us with an engagement case study of their choice, that would clearly highlight the outcomes of an engagement. We were pleased with the level of initial responses received, that covered a number of different issues, and noted that a few of our managers were happy to highlight more than one case study. At the same time, we felt that some of the responses highlighted a misalignment on the interpretation of engaging with outcomes and provided feedback in this regard. While most of the case studies received focused on listed equity, examples of good engagement in other asset classes are emerging, as highlighted in the case studies below. Overall, this exercise clearly showed us the need to spend more time discussing expectations and developing a common language with our managers, which we will be taking into account for the year ahead. Below we highlight a few interesting examples of concrete engagement by our managers.

External Manager case study

Manager: Schroders
Fund: Schroders Global Cities
Asset class: Equities (real estate investment trust)
Company: Washington REIT
Theme: Board diversity

"We had been speaking to Washington REIT over a period of about 2 years, requesting that they improve diversity on their all male board. At a company meeting in March 2022 the management team were able to inform us that progress was being made, interviews had commenced and they were hopeful of an update soon.

Later in the year, during May, the company announced to the stock market that Jennifer Banner, the first female representative, had been appointed as a new board member. We believe this was a significant achievement for the Global Cities fund, we had been very clear with management that we expected change. Pleasingly management understood our frustrations and acted on them, resulting in a great outcome for investors. The company now has two female board members, Ellen M Goitia has also joined, the total board size consists of 8 directors."

External Manager case study

Manager: Royal London Asset Management

Fund: Royal London Ethical Bond Fund

Asset Class: Fixed income

Company: Multi (Barclays, Lloyds Banking Group, NatWest, HSBC)

Theme: Just transition in the banking sector

"Provision of capital plays an essential role in enabling customers to transition to sustainable low-carbon economies. Banks climate commitments have potential social risks, for example decarbonising their mortgage lending book, if not done with adequate policy support and a thoughtful strategy, could lead to individuals or families paying high interest rates and being unable to remortgage.

At the AGMs of Barclays, Lloyds Banking Group, NatWest, and HSBC, RLAM and Friends Provident Foundation asked if the banks would consider integrating just transition throughout their climate transition plans. We met all four banks in Q3 2022, rearticulating the business case and providing suggestions on how integrating just transition into their plans would look. HSBC announced its support to the Just Transition Energy Partnership for Indonesia and Vietnam, and shortly after, they included just transition as an objective of their Energy Policy, being the first bank to do so.

As the main barrier to action from banks is articulating how they can act on just transition, we contributed to a tool launched by ILO and LSE Grantham Institute at COP27 to support banks and finance sector at integrating just transition into their climate plans. Also in March 2023, we are hoping to publish our investor expectations on just transition and banks with London School of Economics and Friends Provident Foundation."

External Manager case study

Manager: BNY Mellon Newton

Fund: BNY Mellon Sustainable Global Dynamic Bond Fund

Asset Class: Fixed Income

Company: Iceland Foods Ltd

Theme: Palm Oil

"Iceland Foods is a private company, so is not subject to the same mandatory ESG disclosure requirements as its public peers, nor did it regularly engage with investors on ESG topics. Indeed, Newton's Fixed Income team were the first investors to engage with the firm on topics like palm oil and greenwashing in 2018. Despite this, Iceland Foods has historically chosen to tackle individual causes in a highly public way, often far ahead of the industry, starting with artificial colours and preservatives in the 1980s, genetically modified foods in the 1990s and, more recently, plastics and palm oil. In 2018, Iceland Foods pledged it would remove palm oil from its own-brand products. To publicise this decision, it partnered with Greenpeace to release its 'orangutan' Christmas advert which was subsequently banned (and thus went viral) for breaching political advertising rules.

We would usually expect to see a company working with industry groups to tackle issues such as this, rather than acting alone. We therefore opened a dialogue with Iceland Foods to establish why it had chosen to boycott palm oil, what efforts it had made to understand the environmental impact of replacing palm oil with alternatives, and the consumer response. Throughout our engagement, we also urged Iceland Foods to communicate its other sustainability-related efforts to all stakeholders and, where no efforts existed, to develop a strategy which incorporated clear, time-bound targets.

We were encouraged by the outcomes of these discussions. We were comfortable that the company is justified in its approach. The decision to remove palm oil was taken with sustainability in mind, rather than just commercial interests. The company felt it could have a significant impact on the industry by raising awareness. We have seen impressive progress on stakeholder communication and the development of a sustainability strategy. We were delighted that in 2020 the company announced time-bound targets in relation to topics such as plastics, food waste and carbon emissions.

Our engagements with Iceland Foods over the last four years have helped us form our investment case. We continue to highlight topics where we want to seek further information or to influence improvements."

Collaborative engagement

We believe that partnering with other aligned investors is a powerful way of influencing companies, regulators and policy makers on priority issues. We acknowledge the value of collective engagements, understanding that our influence is sometimes limited by our size. By joining forces with other investors with the same objective, we can increase our chances of securing a positive outcome.

We work closely with Columbia Threadneedle reo® (formerly BMO reo®) as our provider of ESG specific collective engagement services. Columbia Threadneedle reo® will engage on our behalf on some of our biggest holdings, based upon agreed priorities. We recognise the importance of the opinions of those making the investment decisions, and therefore ask our investment managers to feed into the ranking of these priorities. Via this partnership, we can multiply our impact in addressing a range of systemic issues. This is evidenced by the breadth and depth of engagements undertaken on our behalf for 2022, illustrated in the graph below by Columbia Threadneedle reo®.

Examples of engagements undertaken by Columbia Threadneedle reo® are discussed on page 40.

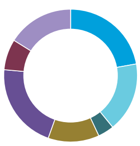
789 Engagements

293 Companies engaged

123 Milestones achieved

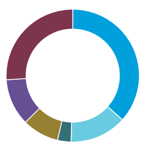
26 Countries covered

Engagements by theme *



Climate Change	315
Environmental Stewardship	242
Business Conduct	55
Human Rights	176
Labour Standards	298
Public Health	107
Corporate Governance	229

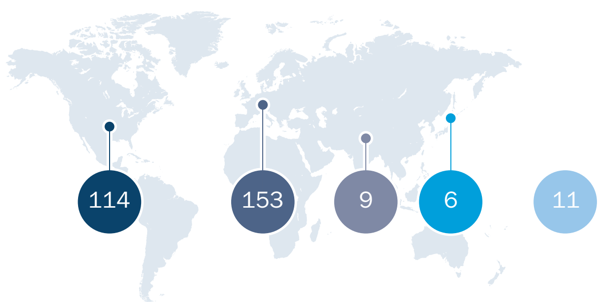
Milestones achieved by theme



Climate Change	45
Environmental Stewardship	17
Human Rights	4
Labour Standards	11
Public Health	14
Corporate Governance	32

Companies engaged by region

- North America
- Europe
- Asia (ex Japan)
- Japan
- Other



Source: CTI Asset Management, 31-Dec-22
*Companies may have been engaged on more than one issue.

Selecting and prioritising collaborative engagements

We are proud to be a member of the Investor Forum. The Investor Forum's purpose is to position stewardship at the heart of investment decision-making by facilitating dialogue, creating long-term solutions and enhancing value. The Investor Forum helps investors work collectively to escalate material issues with the boards of UK companies, communicating investor concerns and expectations in a comprehensive and consistent manner. We are one of few wealth manager members, and use our membership as a way of connecting with other investors, keeping up-to-date with industry developments through facilitated dialogues (company meetings, events and educational webinars) and getting involved in collective engagements about which we feel strongly. In 2022, the Investor Forum undertook five collective engagements. We actively participated in one company engagement focused on enhanced disclosure. The other four covered transaction oversight, strategic direction, board effectiveness and board oversight.

Back in 2021, as a member of the Investor Forum, we co-sponsored, alongside DEFRA and the British Plastics Federation (BPF), an auditable standard aimed at preventing the loss of plastic pellets into the environment across the entire plastic products supply chain. We took further action in 2022, joining over 120 other businesses, the WWF and 1,000 civil society organisations in encouraging the UN Environment Assembly to agree to a legally binding UN treaty on plastic pollution. We were pleased that in March 2022, the 175 countries at the UN Environment Assembly pledged to develop a legally binding treaty by 2024. This momentous occasion should undoubtedly lead to a reduction in life-threatening plastic pollution worldwide. We are proud to have been a supporter of this cause, and hope that the business call we joined went some way to influence the decision taken by the UN.

We are also members of Climate Action 100+, an investor initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. The initiative is due to relaunch in 2023, with more opportunities for involvement. We very much welcome the opportunity to contribute in different ways, as our experience with individual company engagement – and the lack of progress to date - has demonstrated the need for a multi-prong approach and employing different levers to achieve the change we need (see page. 47 for a related case study). We are particularly keen to get involved with some of the thematic and sectoral work that the initiative will be undertaking in the future.

There are always several collective engagements available to us to join, coming from various sources. We are always mindful of the need to balance the expected benefit of the engagement with the work it will require, to help ensure our resources are being used as efficiently as possible. To that end, we prioritise opportunities based upon the materiality of the issue on which the engagement is based and how it fits into our values and other engagement work. This year we also collected feedback from our investment managers on stewardship priorities for the years ahead. Climate was the number one priority referenced, but other priorities also highlighted environmental issues such as nature and biodiversity, as well as human rights. With a number of existing collaborations underway or about to launch on all of these topics, as well as more dedicated resources on stewardship, we expect our collaborative engagement activity to increase substantially in the year ahead.

Responding to systemic risks

Systemic risks are those that pose a threat to an industry or system, such as the financial system or even the economy as a whole. Our extensive and ongoing macroeconomic research allows us to identify these risks, both existing and future, which are often external shocks.

These risks and their effect have been striking in 2022, which has been another challenging year for investors globally. The world was buffeted by economic and geopolitical shocks, which created very challenging conditions for investment. There were many sources of uncertainty and stress for the markets, including the war in Ukraine, sky-rocketing inflation, the surge in interest rates and the building risk of recession. We consider that we remained adept at responding to these risks from an investment point of view, by adjusting our internal asset allocation and stock selection accordingly.

Throughout the year our stewardship and ESG integration work has also played a key role in our understanding of systemic risks to our clients' portfolios, such as climate change, nature and biodiversity loss, pollution, and the cost of living crisis. As we develop our processes for making our stewardship response to these risks even more effective, we are cognisant that stewardship by one investor and/or at individual company level may contribute towards but does not always address sufficiently these broad systemic risks. We consider that a multi-prong approach is the best option to deal effectively with systemic risks. For example, we are members of the Investor Forum, an industry initiative dedicated to ensuring well-functioning UK companies. Addressing systemic risks has been a key driver in partnering with a dedicated collective engagements service provider, to amplify our voice on a global level. This year we also joined the PRI's Global Policy Reference Group and its regional subgroups in the UK and Europe. The aim of these groups is to share information on policy, regulation and related initiatives that encourage or require responsible investment practices and, importantly, to inform and strengthen public policy engagement on responsible investment topics by the PRI and its signatories.

In terms of **climate change**, we expect significant policy and business changes as the world transitions to a low carbon economy. In addition, there is now wider recognition in the investment community that **nature and biodiversity loss** are systemic risks that are inextricably linked to climate. The last quarter of 2022 saw two Conference of the Parties (COP) events: COP27 in Egypt on climate change, and COP15 in Canada on biodiversity. At COP27, almost 200 countries agreed to set up a fund to cover the "loss and damage" that "particularly vulnerable" nations are suffering from climate change. Countries have now agreed that a dedicated fund should be established and that this should be done before COP28 begins in 2023. COP15 produced the Kunming-Montreal Global biodiversity framework, which includes four goals and 23 targets to be achieved by 2030. This is a landmark agreement, although notably not legally binding.

As investors, we want to ensure that our client portfolios are well prepared for this transition, and as a company we want to demonstrate to all stakeholders that we are part of the solution to climate change. Our approach primarily focuses on engaging with the companies and funds we own, and on monitoring their decarbonization progress. We will use our voting rights and responsibilities to encourage climate disclosure, targets and continued improvements. We are also prepared to use our votes to hold board members accountable if we do not feel sufficient action is being taken.

Climate remains a key priority for our engagement partners, who have the capacity to engage, widely and with consistency across a number of our holdings, whilst also taking into account important issues such as striving to ensure an orderly and inclusive transition to a net-zero economy. We include two examples below.

Engagement partner case study: Stellantis NV

Country: Netherlands

Sector: Consumer Discretionary

Theme: Climate Change

Background: *Stellantis are one of the largest automakers in the world, with a presence in over 130 countries and over 300,000 employees. Stellantis was formed in 2021 by a merger between the Italian-American conglomerate Fiat Chrysler Automobiles (FCA) and the French PSA Group (Peugeot Société Anonyme). Historically FCA has been a sector laggard on climate change and the roll out of battery electric vehicles (BEVs), while PSA was more advanced. Over 2021 Stellantis was relatively slow to publicly release details on its climate ambition, strategy and management.*

Action: *We have engaged Stellantis six times in the past 12 months on climate change, including calls with the Head of Sustainability, Strategy Lead and CFO. Our main asks have been for Stellantis to set an ambitious net-zero target and commit to an ambitious BEV strategy. We have provided extensive feedback to Stellantis on the specific metrics that we believe are industry best practice to evaluate climate performance against. Now the company has unveiled its strategic plan for the coming decade, including a net-zero emissions target by 2038 across its entire value chain and cut emissions intensity by 50% by 2030. It also included a sales target of 100% BEV passenger cars in Europe by 2030, and 50% BEV passenger cars and light-duty trucks in the USA by 2030.*

Verdict: *While there is still limited detail on how Stellantis will achieve these net-zero targets, we believe that the ambition level is strong. Stellantis' 2038 net-zero target in particular compares favourably to European peers, with Mercedes aiming for 2039, and VW and BMW aiming for 2050. While recent progress is encouraging, this is still an initial step. This year our focus will be shifting from climate targets to strategy, climate lobbying and sustainable sourcing. We expect Stellantis to publish additional details on its strategy to achieve its targets, including further details on its CapEx planning. We have seen a number of European automakers publish climate lobbying reports this year and want Stellantis to follow suit. Finally, we will be engaging Stellantis on its sustainable sourcing and circular economy approaches.*

Engagement partner case study: Bayerische Motoren Werke AG (BMW)

Country: Germany

Sector: Consumer Discretionary

Theme: Labour Standards - Supply chain management and just transition

Background: *BMW is a German car maker, and like the rest of the industry is increasingly switching to the production of electrified vehicles. As car manufacturers switch from internal combustion engine (ICE) vehicles to electric vehicles (EVs) the increased demand for minerals for EV batteries, such as cobalt, lithium and nickel, is causing many car makers to alter the structure of their upstream supply chains to secure sufficient supply. In addition, the shift from ICE to EV production has profound consequences for workers in automotive supply chains and production facilities. EV production lines are often simpler and can be automated to a higher degree. Automakers need just transition strategies to mitigate the social fallout of the EV transition.*

Action: *We visited BMW at their head office in Munich to discuss their supply chain management and just transition planning. BMW have a direct sourcing system for cobalt, lithium and nickel which improves traceability, and have well developed ESG due diligence systems. They are also investing in circularity to reduce their dependence on virgin materials by 2030. We had a tour of BMW's Munich plant to see how they are adjusting the production line to manufacture EVs. Currently they produce EVs and ICE vehicles on the same production line, but as ICE vehicles are phased out there will be a loss of certain roles. BMW are looking to retrain personnel to retain them in other roles where possible. We requested additional details, asked them to appraise how the EV transition will impact their suppliers, and pointed them to other just transition resources.*

Verdict: *BMW has been open to engagement with us on these topics. On managing the ESG risks and impacts in its upstream supply chain, we would like BMW to set a stronger upstream Scope 3 emission target, improve collaboration with peers and NGOs in sourcing regions, and establish clear responsible sourcing strategies for additional materials. On just transition, additional details on their retraining strategy and plans to support suppliers to transition are required. We believe they are ahead of their peers in these areas, particularly circular economy, and there is an opportunity for BMW to set a path for the rest of the industry to follow.*

We consider that while our thinking on climate is more advanced, more work is needed in the year ahead to understand dependencies and impacts of nature and biodiversity loss across our portfolios and indirect exposure via our external managers.

The last two years have seen a rapid rise in the **cost of living**. A lot of our efforts were previously focused on striving to ensure working people can afford a basic standard of living by supporting living wage movements and this remains one of our priorities. During 2022, several conversations with our managers and peers, directly and through our Investor Forum membership, as well as participation in industry events helped us identify other levers available to investors on this issue. We identified executive pay as one of those levers. As we prepare for the 2023 proxy season, we hope that companies will hear the voice of the investment community and understand the expectation to behave as a responsible business when it comes to all stakeholders, including employees.

Case study: Remuneration in the cost of living crisis context

In the last quarter of 2022, we participated in four remuneration consultations with some of our top holdings ahead of changes being introduced or approval sought for a new remuneration policy. Our conversations included investor relations representatives and chairs or members of the Remuneration Committee. We sought to understand how the board has taken into account the current cost of living crisis in setting levels of pay and asked that the employee experience is taken into account. We also signaled that we would not support excessive pay rises for 2023 that were not aligned with those of the rest of the workforce in the absence of exceptional circumstances.

We found encouraging that three of these companies had been actively considering the issue and could provide clarity on how they were helping their workforce deal with increasing costs, and the alignment between executive pay rises and those of the rest of the workforce.

One of the companies was proposing to re-position the CEO's base salary in stages over the three-year remuneration policy period, to bring it in line with market norms. The overall proposed increases amounted to a 38% rise in salary over three years. While we agreed with the rationale for the overall pay increase, we highlighted to the company that in the current cost of living environment and given the additional increases to the bonus and long term incentive plan (LTIP) which are a multiple of the salary, we would find it difficult to support a first year 15.4% pay rise which was in fact not in line with the rest of the workforce. We suggested reversing the salary increase stages to start with a more modest rise for the next year in line with the workforce and to increase it thereafter based on good performance. We felt that this would also better incentivise retention. The company consulted widely with more shareholders, and we were pleased to recently receive confirmation that our suggestion to stagger the pay rise was taken into account, and the first year increase for the CEO was only slightly above the rest of the workforce.

Our voting rights and responsibilities

When we act as discretionary investment manager, we are in most cases the 'legal owner' of the investments. Because of this, we have the right and responsibility to vote on behalf of our clients (the 'beneficial owners') in respect of their investments held via our nominee companies.

Every day we receive data informing us of the upcoming meetings for all companies in which we invest, both in the UK and overseas.

In line with our engagement activity, we prioritise our voting activity according to the size of our holdings which we categorise as 'core' and 'non-core'. Core holdings represent 75% of our listed holdings and number approximately 100 companies per year (updated monthly). With regards to 'non-core' holdings, in 2022 we exercised our votes only for companies where we had a holding of greater than £10,000,000 or held more than 1% of the company. For these companies, our policy was to vote in favour of all resolutions, unless a contentious issue was discovered.

As with our engagement work, we do not believe that we can actively vote for every company we hold in a thoughtful and meaningful way. We believe we create more value by balancing resources and impact to prioritise our efforts. As of the end of 2022, we owned approximately 2,500 individual listed holdings, ranging in size from several hundred pounds to several hundred million pounds.

We are aware of calls from the likes of ShareAction for investors to vote on all holdings regardless of size as part of our stewardship responsibilities. To this end, this year we undertook a review of our voting process to better understand our underlying holdings and impact of increasing our core voting coverage on resources. We concluded that for the time being it remains sensible to focus our efforts on our largest holdings, but gradually increase our coverage for core holdings throughout 2023.

We strongly believe that the voting rights attached to shares in our investee companies should reflect the views of the underlying beneficial owners. As such, we are currently exploring ways of capturing clients' preferences even further. Since 1995, we have offered all our clients the option to vote their own shares directly using our electronic platform 'Vote Your Shares'. Where electronic voting is not permitted, clients may submit voting instructions directly to their investment manager.

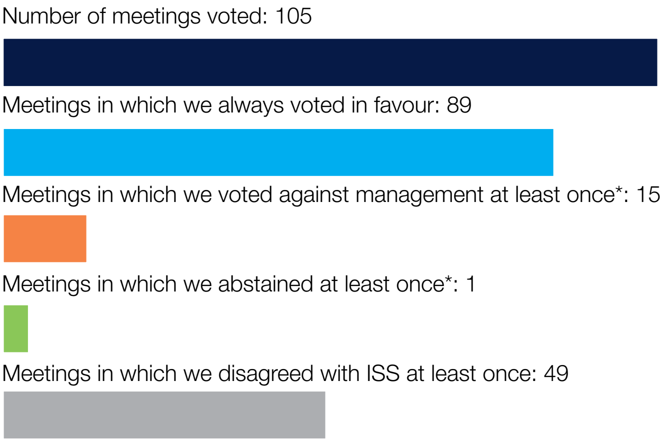
During 2022 we saw a slight uptake of this option amongst our clients. We believe that this was driven by the implementation of Shareholders Rights Directive II (SRD II) communications, and going forward we will do more work to understand this trend. Most clients choose to not vote themselves and so in the closing days before each company meeting, we vote the balance of each shareholding over which we have discretion. We will not vote for shares held under managed advisory or execution only arrangements, unless instructed to do so by our clients.

Where we (rather than our clients) vote, our Research team consider all contentious proposals at each core holding individually, and review the recommendation of our third-party proxy research service provider, ISS, based on their Sustainability Policy recommendations. We receive their default recommendations as well to give us a full picture. Our Research team's decision is final and we do not necessarily follow ISS's advice or the investee company's management recommendation.

We track all our voting decisions and the rationale for voting against management or an ISS recommendation. Therefore, we can review our approach and be able to report back to clients when required e.g. via our quarterly updates or for dedicated pension scheme reporting. A record of how we have voted is publicly available via our website and is regularly updated. Going forward, we will be looking into improving this functionality to make our records more transparent by including the rationale for some of our voting decisions.

Votes over the year:

The below chart shows the meetings at which our analysts actively voted on our core holdings:



* on occasion we may both abstain and vote against management at the same meeting.

While we do not have set policies that require our analysts to vote in a certain way, there are guidelines and norms that we follow for certain resolution types. Some examples include:

Diversity of board members: we vote for or against each director based on the experience and knowledge they bring to the board. Sometimes this may be contrary to the recommendations of ISS, who will recommend a vote against the Chair of the nominations committee if diversity amongst board members is poor. While we may end up following this recommendation, when possible we would prefer to first engage with the company about their plans to address diversity issues and this engagement informs our final decision. Ethnic diversity has been a focus area for us this year.

Over-boarding: we may vote against a director if we are concerned that their external appointments and commitments are too great, and risk impacting their ability to perform their role effectively. During the year we discussed our position on roles at investment trusts, which require a slightly more nuanced approach, and discussed what would trigger further engagement ahead of voting.

Sustainability metrics in remuneration: we are supportive of the inclusion of sustainability metrics in remuneration policies. This is an area that we often highlight at remuneration consultations, to encourage the practice but also to help ensure that sustainability metrics used are linked to strategy and based on meaningful metrics and targets.

Climate change disclosures: we are supportive of listed companies doing more to disclose their climate-related risks and opportunities, and their approach to transitioning to a low carbon economy. We are developing our expectations on such disclosures, with a focus on the TCFD framework.

Pre-emption rights: in the case of investment companies, sacrificing pre-emption rights may enhance investor outcomes rather than diluting them as would often be the case for operating companies. For an investment company they can increase liquidity and allow growth in a cost-effective manner. As such, we will generally vote in favour of this resolution.

Our voting approach applies across all geographies for direct holdings. We always strive for best practice governance and therefore in principle treat all our holdings in the same way, including our listed collective investments. We will take a different approach on an exceptional basis only, for example when we need to take into account relevant regional context or listing rules for overseas holdings, or individualities of companies such as investment trusts, and for overseas holdings.

In terms of our approach to external fund managers, we do not impose restrictions as we find it more practical for all involved to let external managers vote consistently across the portfolios that they run. We do however maintain oversight as part of our regular stewardship monitoring and may challenge our managers on their voting record, and particularly on linking engagement and voting.

We do not engage in stock lending and this is made clear to our clients at the outset of our relationship with them via our terms and conditions.

Progress and looking ahead

During the second half of 2022 we undertook a thorough review of our voting process, to identify any potential weaknesses and concrete steps for improvement. As a result, we enhanced the process for gathering voting recommendations from our analysts, by providing additional oversight and tracking of engagement dialogue ahead and post voting. We also incorporated vote tracking capabilities in our conversations with external engagement platform solutions, to allow us to link engagement and voting activities in the most efficient way throughout the years, and provide better reporting.

We took the view that, with new team members coming on board and AGM agendas becoming increasingly complicated, the team would benefit from the introduction of a voting policy. The policy is not meant to be prescriptive and incorporate every possible voting scenario. Instead, it focuses on principles that guide our voting decisions on a range of issues, and further guidance for those that are particularly important to us. The aim of the policy is to help ensure consistency and clarity, both for internal and external stakeholders, with scope for annual reviews to address new issues or add nuance to our existing approach. We decided to pilot the policy this proxy season, a necessary step in this process, made possible by the increased team resource on stewardship. We aim to incorporate our learnings and publish our voting policy in the second half of 2023.

In the last quarter of 2022, we also reviewed options to link up our fund managers' voting to our client preferences, including an expression of wishes approach. On balance we decided to maintain our current approach of ongoing dialogue, but continue to explore possible options in the year ahead.

Case study: Engagement informs voting decisions at Ruffer

In November, we engaged with Ruffer Investment Company, off the back of an ISS Sustainability Service recommendation to vote against the chair of the board for lack of ethnic diversity amongst board directors. Given that we are the largest shareholder at Ruffer, our position could have had a direct impact in the outcome of the proposal. By engaging with the company ahead of casting our vote, we found out that one of the incoming directors proposed for election at the Annual General Meeting is from an ethnic minority background, meaning the board would now meet the minimum standards of the Parker Review recommendations. We were therefore happy to support the re-election of the chair.

For us, this case illustrates the importance of digging into the detail and looking behind the data. While we consider third party recommendations and find them useful, we strive to take a thoughtful and insightful approach to voting.

Case study: Significant shareholder dissent on remuneration at Halma plc and Ashtead Group plc

Remuneration related controversies are never absent from our voting analysis. We take a thoughtful approach towards remuneration, considering best practice but also looking into each contentious vote on a case-by-case basis. Significant shareholder dissent on remuneration votes is a further aspect of our analysis. We focus on understanding what action companies are taking to consult shareholders on their concerns as mandated by the UK Corporate Governance Code for any vote of 20% or more against the board.

In 2022 ISS recommended a vote against the remuneration report and the reappointment of the incumbent chair of the remuneration committee for two of our holdings: Halma plc and Ashtead Group plc. Both companies received significant shareholder dissent on remuneration at their 2021 AGM (approximately 39%) and were not perceived by ISS as having taken sufficient action to address these concerns, leading to escalation with a vote against the remuneration committee chair.

Before casting our votes, we considered our own prior views on the companies' remuneration arrangements, confidence in the committee chair and appropriate escalation processes. At Halma plc we agreed with the concerns raised by ISS in terms of the remuneration report *based on significant and unwarranted increases to both fixed and variable pay. In our view, the company did not take sufficient action to address these concerns as it pertains to remuneration outcomes, actioning these significant increases in full. Despite our concerns, we decided to not vote against the chair of the remuneration committee which was recommended as an escalation step. While we understand this is a vote on accountability rather than competency, we decided to allow the chair more time to address shareholder concerns and we will be engaging further on this topic. This was also based on our previous experience undertaking fruitful conversations with the chair in her capacity as chair of the remuneration committee at another of our holdings. At the end of 2022 we started our engagement dialogue with the company.*

We took a slightly different approach at Ashtead Group plc. While there was also significant shareholder dissent in the prior year to both the remuneration report and policy votes, attributed to the one-off award made under the Strategic Plan Award as well as a significant increase to the CFO's salary and target-setting under the bonus, we did not share the same concerns. We engaged with the company last year on remuneration issues and examined potential risks carefully. In our view, the remuneration policy creates sufficient alignment with shareholders both in its nature and its time frame. We consider total compensation more in line with the company's key US listed peer and others in the sector, noting that the US is its primary region of operation and where it earns 90% of its profits. We also noted management's track record of delivering very strong results, and the company has generated significant long-term shareholder value. Therefore, we also supported the re-election of the remuneration committee chair at this AGM. We will be engaging further with the company in 2023 to understand their plans to address shareholder concerns and any associated risks from the implementation of the policy.

External Manager case study

Manager: Comgest
Fund: Comgest Growth Europe ex UK
Asset Class: Equities
Company: Amadeus IT Group S.A.
Theme: Remuneration

"In 2021, we started an engagement on remuneration with Amadeus, a leading travel technology company. We put forward our concerns regarding the CEO package during two meetings, and eventually voted against the 'Say on Pay' item at the company AGM. In our view, this remuneration package was too generous vis-à-vis the company's results and unbalanced in terms of short- and long-term components of the remuneration scheme. Given the depth of our dialogue with the company over the years, and being a significant shareholder, it was important for us to clarify our voting rationale and further describe our expectations regarding next remuneration schemes. In addition to sharing our views during meetings with the company's Head of Investor Relations, Board Secretary and Head of Compensation, we sent a copy of our recommendations to the Board.

This high-quality dialogue held in 2021, continued in 2022 with Amadeus' Board reaching out to collect our feedback on their upcoming remuneration policy. We took comfort in the fact that some of our ideas, including expanding their range of remuneration outcomes, were included in the new policy. We had also been advocating for the inclusion of an ESG target based on the same fuel savings enjoyed by their airline customers due to the company's solutions and software. While the details of how this could be calculated have not been finalised, the Board remained hopeful that they could find a way to link an ESG target to the sale of dedicated software and variable remuneration in the near term. Progress made by the company, led us to vote for the 'Say on Pay' item on remuneration at the 2022 AGM. In November, we resumed our engagement with the Board through a meeting held collaboratively with three other investors. During the *discussion we gave feedback on the latest version of the company's remuneration policy and followed-up on the inclusion of ESG targets.*

Overall, we applaud the company for being open to ideas and appreciate the Board's transparency and efforts to align remuneration schemes with investors' expectations while seeking ways to better integrate ESG metrics in packages".

Case study: Taking a consistent stance at Berkshire Hathaway

Through our participation in Climate Action 100+, we have joined the engagement with Berkshire Hathaway as a participant. However, despite our collective efforts to engage to date and the support received by independent shareholders on climate proposals during 2022, Berkshire Hathaway have not responded positively to the CA100+ engagement.

Back in 2021, we supported a shareholder resolution at Berkshire Hathaway, requesting a greater degree of climate disclosure at a group level. This vote was unsuccessful, and a similar shareholder resolution was put forward again this year. The resolution requested an annual assessment of the company's management of physical and transitional climate related risks and opportunities. Echoing last year, the board recommended voting against such a request.

We supported this resolution for the following reasons:

• We believe climate change has the potential to cause value destruction, and therefore a comprehensive and systemic disclosure and understanding of these risks is important. This would help reduce the risk of blind spots within management and could make Berkshire Hathaway a more attractive investment.

• Current disclosure levels are insufficient. As highlighted by ISS, Berkshire Hathaway has 62 subsidiary companies. On its website Berkshire provides links to a select 18 subsidiary company webpages or reports that discuss their sustainability initiatives. Out of those 18 companies, only nine provide information on GHG emissions or GHG emission reductions targets. Out of those nine, only two provide language regarding a commitment to net-zero emissions by 2050.

• This current level of reporting suggests an underestimation of the potential for, and impact of, the Inevitable Policy Response.

As with last year, this proposal did not pass. However, almost half of the independent shareholders (those not affiliated with the board) voted to support it, sending again a message to the company that more needs to be done. In 2023, we expect similar resolutions to be put forward at the company, that has traditionally not been open to investor engagement on the issue. We will be assessing any progress made and start considering further engagement as well as escalation pathways.

Engaging with large holdings through various channels

We sometimes find that engagement with some of our largest holdings occurs in many different ways and via a number of channels: for example, we may concurrently engage a company directly, via our external managers (proactively or off the back of a controversy), and through our engagement partners – occasionally on similar issues.

While it is not always possible to coordinate our efforts, especially with regards to reactive engagement, we believe there is room for improvement. In the year ahead, we intend to look at our largest holdings to explore how we can communicate effectively stewardship priorities and expectations to all parties.

Below we highlight Rio Tinto as an example of various concurrent engagements with the same company, working in a complementary way to improve board composition and effectiveness, and culture across the company.

- In 2022 we engaged with the company directly as part of our voting process, with a focus on board composition and gender diversity, a crucial aspect of improving the company culture
- Rio Tinto has been a priority company for engagement by Columbia Threadneedle reo®, our collective engagement partners, with a focus not only on climate but also on human/indigenous rights and cultural change needed to implement widespread reforms
- Earlier in the year we reached out to a number of our fund managers to get their perspective on the controversy surrounding the publication - by the company itself - of an independent report on their workplace culture, involving multiple cases of rape, sexual assault, bullying and racism across its global operations. This followed on from the company's destruction of the Juukan Gorge caves in 2020, an ancient Aboriginal sacred site that was located in the heart of its iron ore operations. We sought to understand whether the report resulted in any adjustments to the investment thesis, engagement with the company following the release of the report and any active ownership activities or priorities going forward.

Direct engagement with Rio Tinto ahead of the AGM on gender diversity

At the company's 2022 AGM, ISS recommended voting against the re-election of all six members of the nominations committee due to lack of sufficient gender diversity on the board at the time of the meeting (30%, just below the ISS threshold of 33%).

We engaged with the company to understand what actions they were taking to address this issue prior to casting our votes. We noted that, at the time of the engagement, the company met the gender diversity threshold (4 of 11 board members are female = 36%): outgoing female director Hinda Gharbi had only recently resigned for an executive position which required her not to hold any outside board positions. Given that new chair Dominic Barton would take up his position in April 2022, the previous chair did not feel it appropriate to recruit a new non-executive director to replace Ms. Gharbi. Even if the company decided to proceed with the recruitment, making an appointment in time for the annual meeting would have been very unlikely. In our conversation the company's Investor Relations representatives reiterated that, despite not setting hard targets, Rio Tinto is committed to both gender and ethnic diversity. They also noted that board member Ben Wyatt identifies with traditional owner heritage.

Following our dialogue, we concluded that this was a timing issue and were comforted that the 33% threshold would be achieved in due course. We also noted that, in applying its policy, ISS effectively recommended voting against all three remaining female board members serving on the nominations committee. This would have been counterproductive. We therefore supported the re-election of all nomination committee members as no other concerns had been identified.

At the 2023 AGM we noted that the company met the gender diversity threshold as the board consists of 36%

female directors. Going forward we will encourage the company to strive to meet the 40% threshold that will become a UK listing rule in 2024 (on a comply or explain basis) well ahead of the deadline, to ensure that any new appointments or changes to the existing board are thoughtful and add value to the composition of the board.

Engagement partner case study: Rio Tinto Ltd

Country: Australia

Sector: Materials

Theme: Human Rights - Indigenous Rights

Background: *Rio Tinto are one of the largest mining companies in the world, extracting a range of commodities in six continents. Multiple mining assets are situated on land traditionally owned or used by Indigenous Peoples, leading to many mining sites being near culturally significant sites. This is a particular challenge in Australia, where weak state protection of cultural heritage sites and poor application of Rio Tinto's human and indigenous rights due diligence processes led to the company's destruction of several significant aboriginal rock shelters in Juukan Gorge in 2020.*

Action: *We have had frequent and ongoing engagements with the company in relation to this specific catastrophe and their reaction, which included the CEO and several senior executives resigning and the chair stepping down. Throughout 2020 we discussed the company's remediation and succession plans. We also voted against their Remuneration Report at the 2021 AGM due to malus and clawback provisions not being sufficiently applied to the former CEO's compensation, and against the Chair of the Sustainability Committee due to their accountability for the failure in governance and risk management that led to the incident. Our recent engagements have focused on how the company is implementing widespread reforms on how they manage projects, engage communities, and ensure indigenous representation in decision making. We also sent the company our expectations on Indigenous Rights in the extractives sector and discussed them in light of the company's plans to launch country-specific indigenous advisory groups that advise management teams on all indigenous affairs.*

Verdict: *The leadership change appears to have precipitated a wholesale reformation of the company's culture, as demonstrated by the bold step of publishing an independent report on their workplace culture in full. This report revealed widespread issues with sexism and bullying as well as racism. However, engagement with the Chief People Officer showed that the leadership and broader employee base is fully committed to implementing all recommendations in the report and publicly disclosing the results. The company has already started to strengthen their engagement with and awareness of indigenous rights; we believe the wider cultural changes will only assist in this regard and will continue to engage on the transformation.*

External Manager case study

Manager: River & Mercantile

Fund: Global Recovery Fund

Asset Class: Equities

Company: Rio Tinto Ltd

Theme: Culture

"**Background**: *Post the destruction of the Juukan George caves in 2020, Rio Tinto have taken positive action in changing the Board composition and leadership. The new CEO appointed in 2021 commissioned a report to investigate its workplace culture. In response, Rio Tinto dismissed a number of supervisors for disrespectful behaviour and are implementing all 26 recommendations contained in the Everyday Respect report. Measures include making worker camps safer and creating an environment where people feel secure to report unacceptable behaviour. Our analysis in September 2020 post the Juukan George controversy highlighted that there had been several regulatory investigations during the previous CEO's tenure, suggesting there was something more endemic culturally within the company.*

Objectives: *We concluded then that the best way to resolve the culture issue was for the company to replace the executive management and other individuals responsible.*

Actions taken / targeted outcome: *In 2021 we voted against approving the remuneration report and the re-election of the Chair of the Sustainability Committee. We are looking for the actions taken to address the culture issues to have an impact. To incentivise management to deliver on sustainable goals, we strongly believe ESG KPIs should be included in executive incentives. It is therefore a positive move that the Rio Tinto CEO now has 35% of his annual bonus linked to ESG, that includes environment targets, increasing women in the workforce and implement actions from Everyday Respect report. In October 2022 following the 'Enough is Enough' report of Western Australia's inquiry into sexual harassment of women in the mining industry, we engaged to understand what action Rio Tinto have taken to address this serious issue. company, ensuring that everyone at Rio Tinto can count on a safe, respectful and inclusive workplace. An Executive Steering Committee has been formed to oversee and track progress. Key indicators and progress against recommendations are tracked and reported to the Board. To independently measure progress, Rio Tinto have committed to commissioning another independent review of their workplace culture, which we expect to be in 2024.*

Next steps: *Monitor progress in 2023 from Rio Tinto's sustainability reporting and the outcome of the independent review in 2024 to decide the next steps of our engagement program. We are pleased with actions taken so far, however once they have reported, or material information becomes available, we will consider escalation steps in line with our policy if progress is not continued."*

Escalation

Sometimes it is necessary to escalate matters within the investee company and take a more proactive approach, or escalate a decision internally to achieve the best outcome.

Our approach to escalation

We continuously monitor the outcomes of our engagement work and will hold companies to account if agreed changes are not implemented. In the event that it is necessary to escalate matters, we may do so by:

- Engaging with the company ahead of General Meetings where appropriate and practicable;
- Attending ad hoc meetings with the company including via analyst conference calls;
- Expressing concerns through the company's advisers;
- Meeting with the Chairman or other Board members to discuss concerns;
- Making a public statement in advance of General Meetings; and
- Submitting resolutions and speaking at General Meetings

We believe that engaging with companies to encourage them to run their operations well and manage their material ESG risks appropriately can be more impactful than divestment and demonstrates the value of investor stewardship. However, in extreme cases, we will consider the option to divest.

Our partnerships also provide us with additional options when we cannot escalate an issue ourselves or find that it would be more impactful to do it collectively, for example via the Investor Forum.

We find that escalation often occurs around company meetings, either before or after submitting a vote. Through escalation, we can help ensure the company in question understands our voting rationale and that we have all the relevant information, as there may be material factors that change our opinion.

We may escalate matters for many reasons, including the following examples:

- If we are planning on voting both against management and ISS at a company meeting
- If we agree with an issue being raised by ISS, but do not believe a negative vote will achieve the best outcome
- If we are concerned that issues we or others have raised in the past have not been reflected in the current AGM's resolutions

We believe it is vital to be clear on objectives and escalation pathways and communicate this effectively to concerned companies. While we may occasionally choose to escalate at a quick pace, particularly when major concerns have been uncovered, developing and implementing an escalation strategy can be a multi-year approach.

This multi-year approach is well illustrated in our view in the example below, focusing on increasing ethnic diversity at company boards.

Case study: Ethnic diversity at investment trusts

The Parker Review has set a target for FTSE 250 companies to have at least one person from a minority ethnic group on their boards by December 2024. While we are still some time away from the target date, we believe that good governance would see boards embrace the ambition and the benefits of improved diversity set out in the review well in advance. The value of a proactive approach became particularly evident for UK listed companies with the introduction of Listing Rules 9.8.6R(9) and 14.3.33R(1). require that, for financial years commencing on or after 1 April 2022, all UK listed companies meet the following targets on a comply or explain basis: at least 40% of the Board are women; at least one senior board position is held by a woman; at least one member of the Board is from a minority ethnic background.

Our core holdings include a number of UK investment trusts, in which we often have a significant shareholding. We started raising this issue with trusts that did not meet the Parker Review recommendation already in 2021, to flag the importance of the issue and encourage the board to consider this in future appointments.

In 2022 we engaged with several investment trusts who were flagged by ISS as not having yet met this target. We noted a range of approaches, with some companies actively recruiting a candidate from a minority ethnic group to high level statements and generic disclosures. Following our research and engagement we decided to continue broadly supporting boards this year, encouraging ongoing efforts and improved disclosure, while providing feedback when we felt that no concrete steps had been highlighted.

In our engagements we communicated that we intend to take a stronger stance at the next voting season. In 2023, and barring exceptional circumstances, we will be voting against the chair of the nomination committee at any trust that does not meet the Parker Review targets unless there are concrete plans for an imminent appointment.

Internal escalation

Escalation can also occur within RBC Brewin Dolphin, whereby an analyst may seek the input of others on a particular vote or engagement. This could be, for example, if a vote appears particularly contentious, or goes against a stance we have taken previously. The analyst will usually seek the input of the Head of Research, who may also engage with the Head of Sustainability, Chief Strategist or the Stewardship Committee as needed. In 2022, we applied this escalation process in one instance, when deciding how to vote for a shareholder proposal focused on climate.

Escalation by external fund managers

We do not set specific expectations for escalation strategies employed by our external managers. However, we will often review their voting approach to understand how they do indeed escalate when objectives are not met. For our active managers, we review escalations pathways as part of our controversies tracking process, while we also incorporate relevant questions in our meetings with passive managers.

Engaging with our stakeholders

We believe that good stewardship, like most things, starts at home. This links into a lot of the work we are doing to help ensure RBC Brewin Dolphin is a good corporate citizen, giving back to the communities in which we operate and where possible, reducing our environmental impact. We recognise the need to consider stakeholders when formulating the Group's strategy. We have concluded that the following five stakeholder groups are key to us.

Clients Our clients' financial wellbeing is at the heart of our business. We know that a close relationship between our clients and employees is key to ensuring that their financial needs are met. We support our vulnerable clients beyond their finances through our Vulnerable Client Committee.	– *Guidance provided to all client facing teams on how to identify and engage with vulnerable clients.* – *Client engagement survey conducted annually and feedback taken into consideration.*
Employees Our strength is in the service provided by our people, and we have a powerful culture here. We actively measure and respond to employee engagement.	– *We continue to refine our approach to flexible working and providing wellbeing benefits for our colleagues and their families.* – *Employee engagement is at the heart of our people strategy and we listen to a network of 'Engagement Partners' across the business.*
Suppliers We run a significant business from more than 30 locations in the UK and Ireland, which is dependent upon our relationships with our suppliers.	– *We are a Living Wage Employer, as certified by the Living Wage Foundation. This extends beyond our employed colleagues to contracted staff and certain suppliers.* – *We have a vendor management process with oversight provided by our Vendor Management Committee.*
Regulators We are keen to engage pro-actively and cooperatively with the regulators in an open and collaborative way to build and develop a positive and mutually beneficial relationship; and to work proactively with relevant industry bodies, to help ensure that our clients' interests are well represented.	– *We have regular interaction with the FCA on a range of regulatory topics that affect the firm and the industry.* – *We contribute time and expertise to industry bodies to ensure that our collective interests are represented appropriately. In late 2022 we decided to apply to join the Investment Association (IA) Stewardship Committee, to help ensure wealth managers have a voice alongside asset managers, who make up the majority of the membership. We are also involved in IA working groups related to ESG and TCFD reporting.*
Society We have a responsibility to play our part in our communities, society and the world. We seek long-term investment in good companies that have the potential to benefit society and create a sustainable future.	– *We continued to make time available for our employees to volunteer to support causes that matter to them.* – *We undertake many engagement activities that have a benefit to society, such as our work on microplastic pollution.*

Communicating with clients

As a responsible business focused on delivering good outcomes to our clients, we pride ourselves on being transparent with our clients. This is because we believe that transparency and trust are key to strong, long-lasting relationships with our clients.

Our investment managers have been appropriately trained and have meaningful conversations with their clients, and this is being extended to discussions around, responsible investment and stewardship. We take steps to support and ensure that our clients understand information presented in our communications.

Communicating with our clients on what we and their investee companies are doing in the name of sustainability is a priority. It is also one we consistently aim to get right, as poor communication can unintentionally lead to greenwashing.

Open Analyst Hour

This year our Research team hosted an 'Open Analyst Hour' on how to communicate our responsible investment approach to clients. The session was designed to help ensure investment managers are aligned when discussing stewardship and ESG integration with their clients.

We provide a record of how we voted on our website via our Vote Your Shares platform. Our Quarterly Stewardship Updates and annual Stewardship report give colour to that data and help bring examples of our work to life.

We offer our clients the opportunity to vote their own shares for any company they hold within our nominee. We aim to make this more widely known to clients, and we are therefore reviewing our communication around this service. We believe it is a valuable service to give our clients choice. Work is underway to evaluate this service and how it can be better utilised to ultimately benefit the client. We continue to consider ways of engaging with our clients on our stewardship priorities, either directly or via their dedicated investment managers. This year, our investment managers helped us prioritise the topics for engagement by Columbia Threadneedle reo® Investments (formerly BMO reo®) on our behalf. This was done with the objectives of our clients at the forefront of our mind.

In 2022 we conducted a client survey which had a section dedicated to 'Sustainable Investments'. The report assessed our clients' responses and drew comparisons between averages and distributions of demographic segments. A key finding was that one in four RBC Brewin Dolphin clients that completed the survey are actively interested in what the firm does in the field of ESG, consistent with 2021, while 58% of clients would like their investments to drive positive change in the world.

ESG Reporting

In the second half of 2022 we went live with ESG Client Reporting. This project involved working closely with Morningstar Sustainalytics, an ESG data provider and Objectway, a wealth management software company to deliver an ESG client reporting tool for the business. The project went through several phases and is currently being piloted by our specialist charity team. A key aspect of the project was to understand the Sustainalytics methodology for ESG risk ratings, what constitutes a 'qualified holding' and the limitations of the data. The tool's output enables investment managers to report on environmental, social and governance factors, as well as providing a carbon intensity reading for discretionary managed portfolios. The tool is now live and has received positive feedback from investment managers and their clients.

Conclusion

We believe our engagement and voting activities remain of the highest quality. However, as the stewardship landscape continues to evolve, we have to keep raising our ambition in this area. The principles of the Stewardship Code 2020 enable us to strive towards common goals and hold ourselves accountable for their effective implementation.

Serving the best interests of our clients is always at the heart of our engagement and voting activity. The results of our stewardship work are ultimately reflected in the performance of our clients' investments for which our clients will hold us to account, both in the near and longer term. The quality of our stewardship work, whilst always high, has improved again this year and we seek to continue that trajectory by increasing further our resources and ambition in 2023.

Our engagements have been varied in many ways. They range across asset classes, topics, and outcomes. They all focus on improving company behaviour, quality and outcomes for all stakeholders. With our sights focused on the climate crisis and the role stewardship will play over the coming years, we hope to expand the list of stakeholders that can benefit from positive stewardship outcomes. We also look forward to the synergies arising from being part of the RBC group and exploring ways to enhance our engagement reach.

We believe stewardship is vital to good investment management and client outcomes and will continue our journey towards excellence in the years to come.

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Appendix

Biographies of key stakeholders

Athanasia Karananou is the Stewardship Manager at RBC Brewin Dolphin, focused on developing and driving forward our stewardship work. With more than 15 years of experience in the responsible investment industry, Athanasia has worked for a range of different actors such as a proxy advisor, investment manager, ESG service provider and a global investor network. Before joining RBC Brewin Dolphin in 2022, Athanasia was the Director of Corporate Governance and Research at the Principles for the Responsible Investment (PRI). Her other experience includes positions at HSBC Global Asset Management, Sustainalytics and PIRC. Athanasia has an MSc in European Policy and Management and a BA in History, Art History & Archaeology.

Velan Indrakumar is RBC Brewin Dolphin's Head of Conduct Risk and has 15 years of Investment Management experience across both institutional and retail investment. Part of Velan's role is to provide oversight of all new products and services offered by firm and ensuring that client outcomes are at the heart of decision making.

Richard Buxton has been a member of the Group Executive Committee since 2015 and has over 20 years of experience in financial services. In 2020 he took on responsibility for the Group's Sustainability strategy and has completed The Prince of Wales' Business and Sustainability Programme at the University of Cambridge Institute for Sustainability Leadership (CISL).

Tom Blathwayt is Head of Sustainability at RBC Brewin Dolphin, responsible for defining and overseeing the implementation of our approach to sustainability, which includes responsible investment and Stewardship. Tom has 20 years experience advising corporates, investors and policy makers on strategy and sustainability, across Europe, Africa and Asia. He was a founding member of Monitor's Inclusive Markets practice, and from 2013 to 2016 lived in India where he co-led the Mumbai office. He has cross-sectoral expertise across FMCG, retail, tech, energy, transportation, oil and gas and packaging/recycling. He has an undergraduate degree in modern languages from Cambridge and an MPA from Harvard.

Kelly Eva is RBC Brewin Dolphin's Sustainability Manager and has 10 years of wealth management experience. She holds a BA in Economics and Finance, the CISI Wealth Manager Qualification and CFA Certificate in ESG investing. Kelly's work focuses on our responsible investment and stewardship capabilities, and how we deliver and communicate them to our clients and other stakeholders.

Guy Foster leads RBC Brewin Dolphin's Investment Solutions team working to align our investment capabilities with the needs of clients. He provides recommendations on tactical investment strategy to our investment managers and strategic recommendations to the group's Asset Allocation Committee. Guy has a Masters in Finance from London Business School. He is also a CFA charterholder, holds the CISI Diploma, and is a member of the Society of Business Economists.

Marina Chernyshova's work in the RBC Brewin Dolphin Research team focuses on our relationships with Governance, ESG and active ownership partners and service providers. Marina has an MSC in International Business and Finance, and over 10 years of experience in institutional sales, business strategy and transformation roles.

Antony Champion is Head of our Intermediary channel and was instrumental in launching RBC Brewin Dolphin's Sustainable Managed Portfolio Service last year. Antony and his team provide investment solutions to over 1,850 adviser firms within the UK. Antony is passionate about ensuring we provide a sustainable approach for the adviser community through rigorous oversight of our investment process.

Peju Animashaun is responsible for the oversight of investment governance arrangements for the firm's investment universe, including stewardship and broad ESG oversight; and plays a key part in shaping corporate culture at a firm, management and individual level. Peju is a qualified Lawyer and has completed the Saïd Business School, University of Oxford's Leading Sustainable Corporations Programme.

Richard Platt chairs our Stewardship Committee, building on his deep knowledge and experience of the investment management industry. Richard is involved in many strategic projects across RBC Brewin Dolphin, sits on our Sustainability Committee and our Business Change board among others, and understands how everything in our business supports good stewardship.

Nik Stanojevic has 18 years of experience in equity analysis and covers a number of sectors in his role at RBC Brewin Dolphin. Nik is also responsible for providing Stewardship data to the Stewardship Committee on a regular basis, and acts as the link between the committee and the analysts carrying out our Stewardship activity. He has both buy side and sell side experience. Nik holds a BSc in Management Sciences with French from the London School of Economics and is a CFA charterholder.

Adam Jarvis is a Senior Investment Manager and has worked at RBC Brewin Dolphin for 16 years. He is a Chartered Fellow of the CISI, for whom he was a former President of the South Coast Committee and is able to draw on his experience of managing ESG portfolios for private clients and working with professional intermediaries.

Richard Mack manages the team responsible for ensuring the timely management of shareholder elections and instructions to vote at company meetings. He has 18 years of experience of operations roles in wealth management, primarily focused on Corporate Actions covering global markets.

David Orford has over 25 years'experience working in financial services in London and is a Chartered Global Management Accountant. He spent a number of years heading up RBC Brewin Dolphin's investor relations function, interacting with our shareholders and liaising with third party agencies on ESG issues and improving the Groups ESG metrics.

Vicky Friedlander has worked as an Investment Manager at RBC Brewin Dolphin since 2006 and has increasingly specialised in helping clients to create personalised responsible mandates to align their portfolios with their values. Throughout the years, she has worked with direct clients, presented to intermediaries on how to have conversations with clients about their values and more recently has focused on doing the same with charities. Overall, Vicky particularly enjoys working with trusted advisors to help clients achieve their wider financial goals and organisational purpose.

Alissa Foale is the Chief Legal Officer for RBC Brewin Dolphin with over 12 years' experience as a solicitor in financial services with expertise in financial services; corporate and commercial law. A key element of Alissa's role is advising on matters relating to corporate governance and culture within our organisation as well as advising on areas of reform and new legal initiatives in this area.

Davina Rich has over twenty years' experience in the investment management industry as an analyst, institutional asset manager and private client investment manager. She has been instrumental in the development of innovative investment propositions and has a deep understanding of ESG and Stewardship matters; how these apply to our research processes and how they can be implemented in portfolios in order to meet the needs of clients. Davina's work as Head of Research centres on providing excellent client outcomes, which is supported through our stewardship activities.

Marc Wilkinson is Head of Investments and Chair of the Wealth Governance Committee. Marc is also a member of the Sustainability Committee, and oversees a number of others including the Stewardship Committee and Product & Services Committee, which reviews existing products and services alongside the innovation and introduction of new initiatives. Marc is responsible for our Research team, which includes engagement and voting activities undertaken by analysts, and chairs the Investment Research forum through which investment managers discuss client needs with the research team.

Rohit Bhandari is a Senior Lawyer and has been at Brewin Dolphin for 6 years. He advises the firm a broad range of transactional, financial and regulatory matters. Rohit has 12 years experience as an in-house lawyer, having previously worked at a number of investment banks and financial institutions. He has an undergraduate degree in Economics and Creative Writing.

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