STONEHAGE FLEMING STEWARDSHIP REPORT

2023

STONEHAGE FLEMING

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A MESSAGE FROM CHRIS MERRY, GROUP CEO

Welcome to our second Annual Stewardship Report.

We have taken significant steps forward in the last year, both in our role as stewards of client capital and the way in which environmental, social and governance (ESG) factors are embedded in the day to day running of our business. The work of our Stewardship and Investment Sustainability Committee (SISC) has been critical to further increasing our engagement as investors and Graham Wainer, CEO Investment Management addresses this more fully in the next section.

We saw clear evidence in 2022 of ESG being embedded in the fabric of the firm. We were proud to appoint Dena Brumpton as the first woman member of the Group's Board and to add Carol Mote, Global Head of HR, to our Executive Committee. We have embraced the challenge of changing the composition of the firm's leadership, but acknowledge we are not yet where we wish to be in terms of having women represented at the highest levels of the company. In 2022, as a strong statement of our intent, we launched the Stonehage Fleming XV, recognising a cohort of extraordinary women spanning several industries and disciplines, for their leadership, creativity and contribution across a broad range of metrics.

This was as important a message both internally and externally of our recognition of the importance of women in leadership roles, as it was a demonstration of our credentials in supporting women wealth creators. A link to the XV can be accessed here.

Staying with social factors, our collaboration with external partners demonstrates our commitment to positive change in the communities in which we operate. As Founder Members of the Chancellor's Circle at the University of Westminster, we will support through mentoring, work experience and internships the personal and career development of students from the University. This demonstrates our support for the Next Generation, our local community in London (with the University a short walk from our offices), and for an academic institution which prides itself on its diversity and inclusivity. Amongst other impressive credentials, 51% of Westminster students are the first generation in their families to go to University and 64% of undergraduates are from BAME backgrounds.

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A MESSAGE FROM CEO CHRIS MERRY

As a business with a significant international footprint, our communities are not just in the UK. Our new volunteering policy encourages staff to support charitable causes of their choice and gives them time to do so; the business supported some 35 charities across 14 geographies in 2022. Our headline charity partnership is a three year commitment to the Duke of Edinburgh's International Award, which has a global ambition to bring the accreditation to more than 2 million young people annually. Our contribution will support almost 700 students (in their mid-teens up to 25 years old) over the 3 year period. We are focussing our support on South Africa, acting through Afrika Tikkun and working in partnership with two of our clients. We have been partners with Afrika Tikkun for many years to support disadvantaged youth with education and social development in the Western Cape and Gauteng. Two of our Stonehage Fleming Partners are on the board of Afrika Tikkun (UK).

As with all financial services businesses, where we can make a demonstrable environmental impact is quite narrowly cast; our impact will be primarily felt through our stewardship of client investment capital and the decisions we take in deploying capital responsibly on behalf of our clients. However, in London we have moved to new BREEAM certified offices, with enhanced processes for reducing emissions and waste, reduced desk space (in line with a "3 in, 2 out" working week policy) but higher quality, flexible facilities. We have already seen a the positive impact on the well-being of our people. The London office will set the standard for the management of our facilities in all 14 geographies in which we are based.

Our largest external shareholder, Caledonia Investment Trust, has established a set of KPIs for their investee companies, that will in turn contribute to their own reporting. In addition, in 2023 we will be setting short and long term goals and will report regularly to all our stakeholders, we will put processes in place to measure performance against these goals and make the resulting metrics transparent and accessible.

We were extremely proud to have had our first Stewardship Report approved, evidencing to all our stakeholders that we understand the importance of Stewardship and are implementing adherence to the Code with enthusiasm and diligence. We are though mindful that despite having made significant progress in a relatively short period, there is much yet to be done. We have taken careful note of the counsel from the FRC for those areas where we need to improve and you will see our progress and intentions at various points in the report. I am pleased to say that this year we have had the same team of senior professionals leading our efforts to embed the Stewardship principles in the operational and investment processes of the business. As a result, we now have an established a centre of excellence and experience in this crucial area.

Final review and approval of this report rests with me as Group CEO and Graham as CEO Investment Management. It has also been reviewed by the SFIM board.

I am delighted to present our second Annual Stewardship Report.

CHRIS MERRY

> "...we launched the Stonehage Fleming XV, recognising a cohort of extraordinary women spanning several industries and disciplines, for their leadership, creativity and contribution across a broad range of metrics."

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A MESSAGE FROM GRAHAM WAINER, CEO INVESTMENT MANAGEMENT

The pace of development of regulation, communication and education has been and will continue to be appropriately intense.

I am proud to be presenting Stonehage Fleming Investment Management UK's (SFIM UK) Stewardship Report alongside our Group CEO, Chris Merry.

We serve a wide range of investors. In addition to our core group of successful families and wealth creators, certain strategies are also offered to professional and institutional investors. Though, like professional investors, some families already expect the highest standards of stewardship from us, in our experience the majority are still establishing how ESG considerations are best incorporated in their investment philosophy and objectives.

Our expectation is that the stewardship expectations of private wealth will converge with those already evident amongst institutional investors. We are enthusiastically embracing the challenge of positioning our stewardship processes to meet the most stringent requirements of our investors. Part of our role is educational — to help private investors navigate the complex and nuanced area of sustainable and responsible investment and become even better stewards of their family capital. Similarly, we are also conscious of the expectations of the next generation of wealth, which we anticipate will be better informed and more precisely attuned to climatic and societal responsibility at an earlier juncture.

The success of our business is linked to an effective transfer of wealth between the generations. Wealth with endowment-style characteristics means investment decisions today need to be considered through the lens of the future owners of capital; the societal issues we face are inevitably and quite properly incorporated in the process of capital deployment. As we report on our adherence to the principles of stewardship, we can say with confidence that recognition of its importance has been well integrated across business units and asset classes.

The framework for our reporting has not changed. We refer in this document as in our previous submission to 'internal expertise' - our team of in-house specialist stock selectors and high quality bond selectors. Our 'external expertise' references our construction of multi-asset portfolios on behalf of our clients. We have a team of third-party manager selectors looking to bring the same consistency of quality and diligence to the selection of funds as we do to the individual companies in which we invest.

Included in the 'external expertise' are our dedicated sustainable investment strategies. We launched Global Sustainable Portfolios in 2019 for those clients wanting a more focused approach to socially responsible investment, anchored to a number of the United Nation Sustainable Development Goals (UNSDGs). While the Sustainable Portfolios focus exclusively in this area, many identified best stewardship practices have been adopted into our other strategies to the benefit of all our clients.

Our investment teams, irrespective of whether they are selecting specific equities or selecting third-party managers, share a commitment to identifying excellence and integrity. With significant volumes of assets entrusted to us to deploy with long-term horizons, we can and do influence outcomes. We are highly cognisant of our responsibilities in this regard. As evidenced by the examples we share in this report, we seek actively to engage in various ways to generate best outcomes.

We have come a long way in formalising our approach to stewardship in a relatively short period. We have made further progress in the last 12 months to embed measurement and monitoring in an investment culture already underpinned by a strong set of values. We are by no means complacent but we now have a very clear idea of what we want to achieve as investors and as a business, and the very process of reporting helps us learn, develop and improve.

We hope this, our second stewardship report, demonstrates our ongoing commitment to the principles, and our efforts to enhance our investment processes and the broader industry.

GRAHAM WAINER

STONEHAGE FLEMING STEWARDSHIP REPORT 2023

INTRODUCTION TO STONEHAGE FLEMING INVESTMENT MANAGEMENT

An overview of our UK Investment Management business

Stonehage Fleming is an adviser to many of the world's leading families and wealth creators. We manage and protect their wealth, often across several geographies and generations. Most of our clients are successful entrepreneurs and business owners who have created and continue to accumulate significant wealth. Our clients look to us to assist with the successful transition of substantial wealth from one generation to the next.

Stonehage Fleming Investment Management UK (SFIM UK) is a Private Limited company wholly owned by the Stonehage Fleming Family & Partners Group (Group). Being independently owned means we are free from the commercial pressures and constraints in many financial services companies. Our business is explicitly service-orientated rather than product-led.

We are a global investment manager, constructing high conviction portfolios to preserve and grow wealth in real terms across generations. We manage £13.2bn[1] in assets.

Most of our clients invest with us on a multi-asset basis and harness our portfolio construction, external manager selection capability, and in-house direct equity and fixed income expertise.

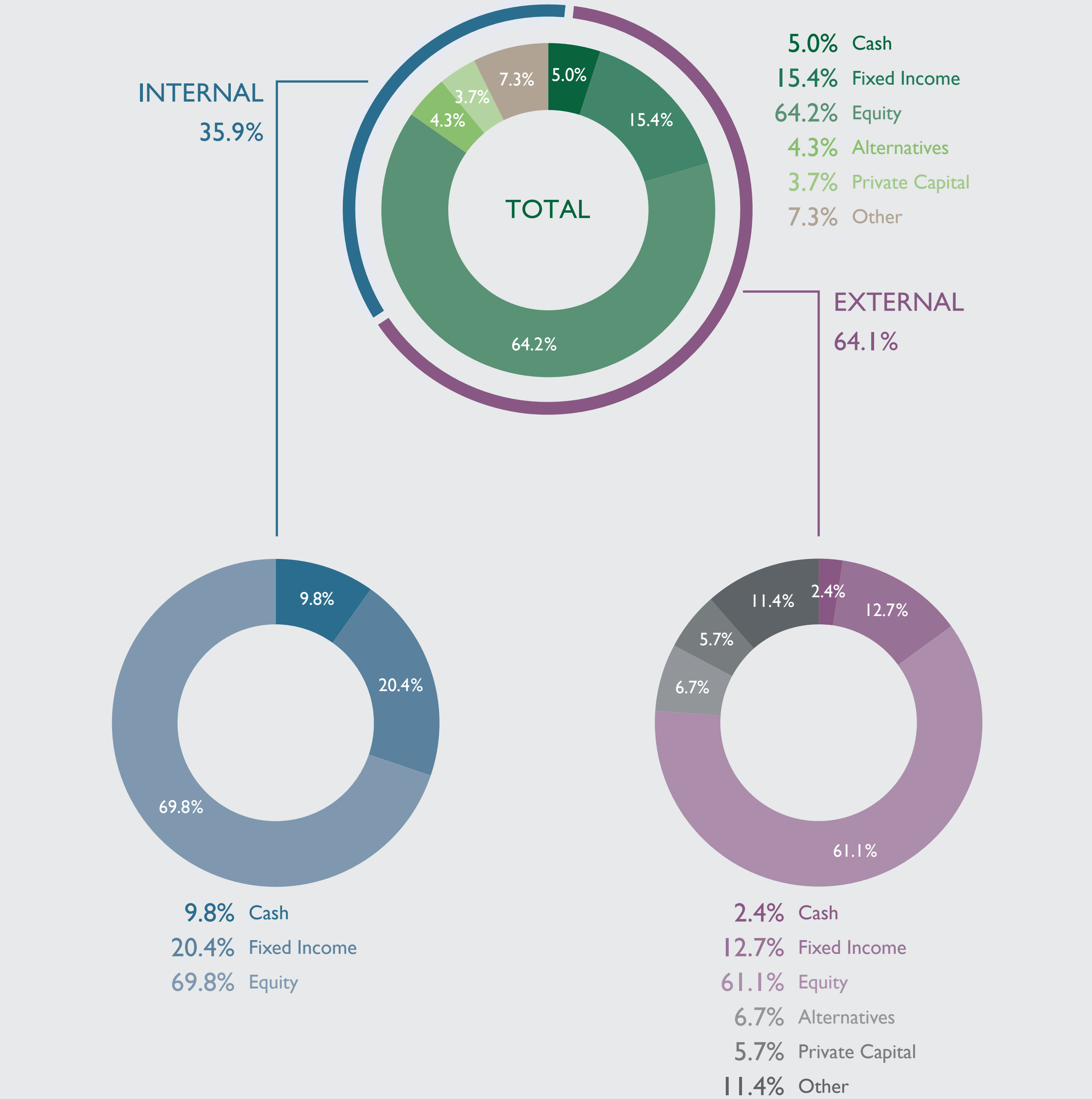
In other instances, clients have come to us to utilise only our direct equity selection capability and have more extensive portfolios managed elsewhere.

We, therefore, find it helpful to distinguish between our 'external expertise' and 'internal expertise'. External expertise refers to assets held with a set of carefully vetted third-party asset managers. Internal expertise refers to our in-house security selection capabilities.

The Principles of good stewardship are universal. Still, in some instances, we need to draw distinctions between stock selectors and manager selectors. The asset split between internal and external is shown on page 11 (further information on asset breakdown can be found in Principle 6)

Source: Stonehage Fleming Investment Management, 31 December 2022.
Includes Fund data and SFIM UK client holdings, some estimates used on advisory assets.

ASSETS UNDER MANAGEMENT



Source: Stonehage Fleming Investment Management, 31 December 2022.
Includes Fund data and SFIM UK client holdings, some estimates used on advisory assets.

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INTRODUCTION

INTERNAL EXPERTISE (35.9% ASSETS)

Global Equity Management Team (25% assets)	Our flagship direct equity investment offering is the Stonehage Fleming Global Best Ideas Equity Fund (GBI), managed by our Global Equity Management team (GEM). Its investment strategy is to own a concentrated portfolio of best-in-class global companies that possess a strategic competitive edge, and to only acquire them at a fair value or less. The GEM team manages a comparable size of assets in segregated accounts that mirror the Fund's philosophy and holdings (though in some instances regulatory and/or client restrictions may result in minor differences in holdings).
Direct Cash and Fixed Income (11% assets)	The majority of our invested fixed income capital is allocated to specialist third-party investment managers. However, we have established a fixed-income team that invests in direct bonds to meet the objectives of certain clients. These portfolios typically comprise high credit quality issuers with maturities up to the ten-year horizon. Similar to the equity selection, the emphasis is on issuers where we have confidence that company management will deliver on their objectives. This category also includes sovereign bonds and bills held in client portfolios.

EXTERNAL EXPERTISE (64.1% ASSETS)

We manage multi-asset portfolios with cash, fixed income, alternatives, equity, and private capital allocations. A core competency is the selection of third-party investment talent, which we use to implement these mandates. There are no shortcuts to identifying the very best managers. We pride ourselves on the rigour of our due diligence.

We select external talent across the multi-asset spectrum and seek out managers who share our values and approach to stewardship. We have also expanded our multi-asset offering to include dedicated sustainable investment mandates. In establishing these mandates, we have sought to incorporate many of the same principles into our broader manager selection processes.

Sustainable Mandates

Our sustainable mandates allocate capital to managers with a definition of sustainable investing similar to our own.

We define sustainable investing as the intersection between good risk-adjusted returns and positive outcomes.

In practice, this means that the sustainable mandate invests in companies aligned to the 17 Sustainable Development Goals defined by the United Nations. It aims to outperform a relevant broad market index.

Both of these objectives can be met; we do not see them as mutually exclusive.

Whilst this proposition represents a small percentage of overall assets, our clients are increasingly interested in expressing their values through their investment portfolios. We have developed this proposition to help them achieve their investment return and impact objectives.

PRINCIPLE 1: PURPOSE, INVESTMENT BELIEFS, STRATEGY AND CULTURE

Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries, leading to sustainable benefits for the economy, the environment, and society.

PURPOSE

Our purpose is to preserve the real wealth of the families we serve across multiple generations.

As stewards of intergenerational wealth, we have always had an extended time horizon. A failure to consider all stakeholders (including the planet) when providing investment solutions would be doing our investors a significant disservice. We view the long-term outcomes of corporate activity as integral to the investment process and the proper functioning of the broader financial system. Values-based investing does not mean compromised returns. The opposite is true.

INVESTMENT BELIEFS

Stonehage Fleming has a long history of working with wealthy families, and we believe that capital should not be narrowly defined in purely financial terms. We see wealth as having four distinct, complementary and mutually dependent pillars. The Four Pillars of Capital are defined as follows:

Financial Capital

Tangible assets, business, properties, investments, and intellectual property – items that have quantifiable financial value.

Social Capital

How we (clients and our firm) engage with society and the communities we live and operate in, to contribute to societal and individual wellbeing.

Intellectual Capital

Skills, knowledge, experience, wisdom, and also awareness of where this needs to be supplemented by the expertise of partners and third parties.

Cultural Capital

Approach to business, treatment of others, contribution to society, leadership and values.

The Four Pillars provide a framework through which intergenerational success factors can be considered and positive outcomes achieved. Our approach to investment decision making must also address all of these to resonate with our clients and deliver on our core purpose.

STRATEGY

Whether we are constructing multi-asset portfolios, selecting third-party managers, individual equities, or corporate issuances, the following is universal to all our approaches.

Long term

As described above, our time-frame is intergenerational. We select investments and construct 'built to last' portfolios that can withstand market vagaries, systemic risks and geopolitical risks.

Know what we own

We know that sound investment decision making is rooted in a thorough understanding of the details. Rigorous due diligence has always been a hallmark of our investment process. It is a source of pride within the firm. We believe that this meticulous care is an essential component of stewardship.

Management Quality

Whether selecting third-party investment managers or company management, we focus on their suitability for the role (past experience and record in the industry), their strategic thinking, and their ability to act as good stewards of investor capital.

Avoidance of unnecessary complexity

We believe it is vital that all of our clients know and understand how their capital is being deployed. This builds trust in our ability to be good stewards of capital and results in long-term relationships with our clients.

CULTURE

Our corporate culture emphasises the following values:

Family

We are a family and embrace the values that make a family harmonious and successful. We treat everyone as we expect to be treated ourselves. We harness our heritage, listen, trust each other and act as one to benefit our clients, our partners and ourselves.

Moral Courage

We act with integrity and conviction. We ask difficult questions of clients and colleagues alike, and without exception strive to do the right thing.

Excellence

We strive for excellence in everything we do and demonstrate this passionate aspiration in how we think, talk, and interact.

These values have been regularly assessed for relevance and authenticity as the business has grown, changed shape and integrated other businesses. They have remained unchanged for well over a decade.

PRINCIPLE 1

OUTCOME: LONG-TERM VALUE FOR CLIENTS AND BENEFICIARIES

Our purpose, belief, strategy, and culture are designed to generate long-term value for our clients and their beneficiaries. Importantly, value in the context of our client relationships is defined as investment performance and having comfort with how capital is deployed.

We conducted a survey in 2018 of over 150 clients, advisors, and friends of the firm. This revealed that 75% of respondents wished for their values to be represented in their investments, but only 21% were actively taking such an approach. This finding was one of the catalysts towards launching our sustainable proposition for clients.

In 2023, we will be conducting a survey with even greater depth in terms of the issues explored and breadth in terms of respondents. It is vital for any organisation which seeks to have a comprehensive understanding of the needs of its clients, that this type of qualitative and quantitative research and analysis is conducted on a regular basis.

During 2022, the wider business won seven awards including Citywealth 'Family Office of the Year' and the STEP PCA 'Multi Family Office Team of the Year' – we are pleased that we are being recognised by our industry peers for the high quality of the work we do on behalf of clients.

OUTCOME: SUSTAINABLE BENEFITS FOR THE ECONOMY, ENVIRONMENT, AND SOCIETY

Our approach to capital deployment serves the economy, environment, and society.

As long-term investors, we are providers of patient multi-cycle capital. This allows the managers of those assets, either corporate entities or third-party providers, to invest in projects designed to deliver optimal long-term outcomes, not merely short-term profits.

Second, we only allocate capital after we have conducted rigorous due diligence. This due diligence encompasses a wide variety of factors, including management quality, the degree to which environmental, social, and governance factors are integrated into day-to-day processes, and the overall integrity of the business. We award capital where we see legitimate and considered understanding of these issues and demonstrable steps in place for continual improvement. Our high quality due diligence also allows us to play a responsible role within the broader functioning of financial markets including our analysis and response to systemic risks. Examples of this work are included under Principle 4 & 7.

By 'voting with our feet,' we incentivise industry members and corporations to become good stewards themselves. Good stewardship begets more of the same, driving ongoing improvements across the industry.

STONEHAGE FLEMING STEWARDSHIP REPORT 2023

INTERNAL EXPERTISE

Global Equity Management

The team invests in best in class businesses for their quality, strategic competitive edge, and value. The objective is to achieve long-term growth in capital in portfolios of high quality listed businesses from around the world. There is a particular focus on the quality of management, sustainable organic growth, balance sheet strength, return on invested capital, free cash flow, and the ability to grow dividends each year.

The GEM team's investment philosophy is built on four core pillars:

Through its commitment to the first two of these pillars the team has always had Environmental, Social, and Governance (ESG) factor analysis ingrained in its research and position monitoring process. ESG issues form a key assessment of the quality and culture of the businesses' management. From experience we know that companies not actively addressing their ESG risks are less likely to generate future sustainable growth.

PRINCIPLE 1

EXTERNAL EXPERTISE

Third-party manager selection

Portfolios capture our optimal long-term investment ideas with carefully selected funds and securities. Few exceptionally talented individuals invest well for long periods, and they won't all reside within a single firm. Our rigorous due diligence process meaningfully narrows the odds in favour of identifying talent.

SFIM UK believes that third-party managers should exhibit good stewardship practices at both a firm and strategy level. Managers also need to show an awareness of environmental, social, and governance factors. These factors should be incorporated into the fund's investment process. A thorough assessment of these practices is built into our own due diligence process. Additional detail on the incorporation of ESG factors into our analysis is covered in Principle 7.

Sustainable Investment Proposition

Our sustainable investment proposition takes additional steps. Here, SFIM UK considers the merits of third-party strategies by attaching an equal weight to investment returns and positive impacts. The latter focuses on the trend of positive impact rather than just investing in the most impactful companies that may have less room to better themselves.

This is primarily measured by mapping the portfolios to the United Nations Sustainable Development Goals (UNSDGs). This is tracked over time.

In addition to the mapping process, we expect underlying managers to integrate environmental, social, and governance factors into the inputs and outputs of the investment process. This helps to assess whether they pose a material risk to environmental or social objectives and risk-adjusted returns.

NEW FOR 2022

During 2022, the wider business won seven awards including Citywealth 'Family Office of the Year' and STEP PCA 'Multi Family Office Team of the Year' – we are pleased that we are being recognised for the high quality work we do on behalf of clients.

FUTURE GOALS

As referenced above, an even more ambitious 'Four Pillars' survey in 2023 will incorporate responses from more families and clients, as well as having more in-depth qualitative interviews. This will aid us in better understanding our clients, whilst also sharing the insights to help our clients become better Stewards of their wealth (more information in Principle 7).

STONEHAGE FLEMING STEWARDSHIP REPORT 2023

PRINCIPLE 2: GOVERNANCE, RESOURCES, INCENTIVES

Signatories' governance, resources and incentives support stewardship.

STEWARDSHIP IS SUPPORTED BY SFIM UK'S GOVERNANCE STRUCTURES

A governance structure aims to ensure that an organisation's processes, procedures, and policies are transparent and there is a high degree of accountability.

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[1].

Governance supports stewardship and requires the following:

- Highly qualified, honourable, and experienced individuals in positions of trust.
- Access to resources and infrastructure that supports stewardship.
- Mechanisms through which that work can be assessed and ongoing improvements made.
- A culture of transparency and integrity.

Stewardship demands more of us than merely having appropriate governance structures and accountability. Our governance framework is designed to help us meet the requirement to create long-term value for clients and beneficiaries, in turn leading to sustainable benefits for the economy, the environment and society. It is also aligned with our broader purpose and beliefs (see Principle 1).

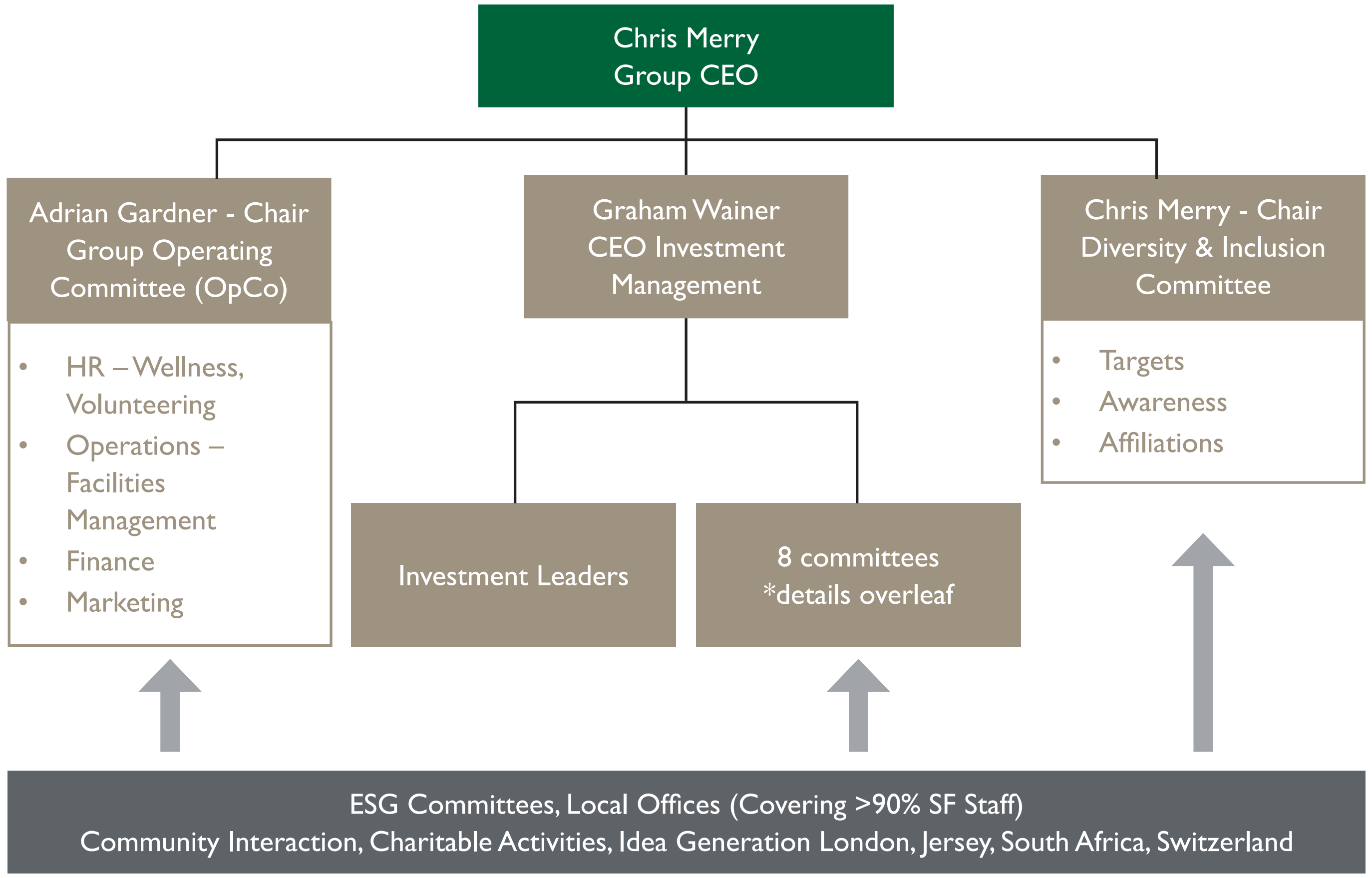
In this section we outline the committees and individuals directly responsible for ensuring stewardship considerations are embedded in all decision making and practices. We outline how these operate both within our investment activities in SFIM, and also within the day-to-day running of our business.

1. *Source: The UK Stewardship Code 2020*

OVERSIGHT AND ACCOUNTABILITY

As is appropriate for an investment business of our size, we have a governance structure in place to ensure that our investment activities are conducted effectively and serve the needs of all stakeholders (clients, employees, business and industry partners, regulators etc.). To achieve those ends, we have Committees with delegated authority from the SFIM Board, charged with fulfilling these specific duties.

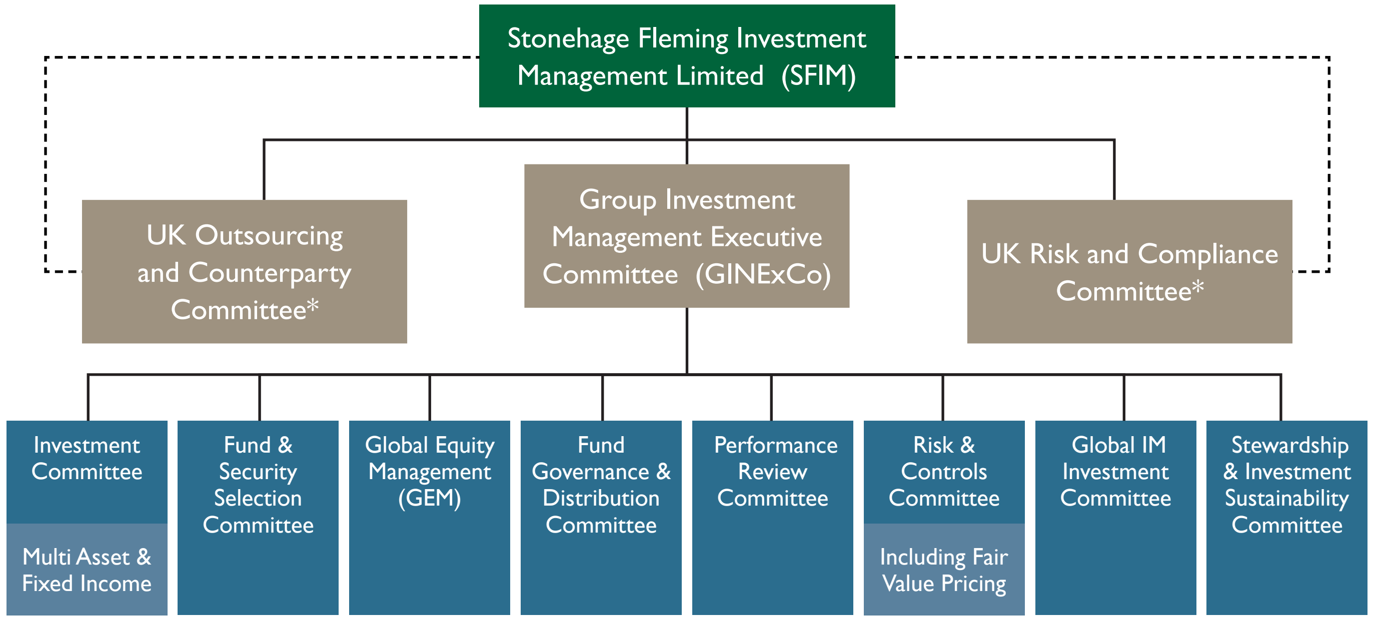
The schematic shows that all the Stewardship activities ultimately report up to the Group CEO. These occur through normal company reporting lines and through The Diversity & Inclusion Committee, directly chaired by the Group CEO.



STONEHAGE FLEMING STEWARDSHIP REPORT 2023

PRINCIPLE 2

These all have Chairpersons with the requisite experience to manage the committee and reporting lines which lead back to Graham Wainer, CEO Investment Management, and the Board of SFIM, and from there on to the Group's CEO Chris Merry and ultimately to the Group Board.



**applies to all UK FCA regulated entities*

Over the past five years, we have progressed from semi-formal oversight of a broad range of stewardship activities led by Partners of the firm, to a governance structure designed to build stewardship into "business as usual" practices. Furthermore, since our last report, our strategic external shareholder, Caledonia Investment Trust, has established a set of metrics, predominantly focused on environmental considerations, which it requires us to track and report on. These will contribute to its own reporting as a quoted investment trust.

STEWARDSHIP AND INVESTMENT SUSTAINABILITY COMMITTEE (SISC)

The SISC is a designated committee of the SFIM UK board. The committee's role is to ensure there is a high level of stewardship across strategies, sharing best practice on ESG, and helping co-ordinate sustainability initiatives, including new regulatory advances.
The committee consists of senior representation from across the firm.

It was established with these guiding principles:

- To incorporate the evaluation of ESG issues into our investment analysis and decision-making processes.
- To be active owners and incorporate ESG issues into our ownership policies and practices.
- To seek appropriate disclosure on ESG issues by the entities we invest in.
- To promote acceptance and implementation of the Stewardship principles within the investment industry.
- To work together to enhance our effectiveness in implementing these principles.
- To report on our activities and progress towards implementing the principles.

Under Principle 5, we expand on the functioning of the Stewardship and Investment Sustainability Committee by describing the tangible day-to-day structure we have established in order to demonstrate its effectiveness more clearly.

Incentivisation

A clear Remuneration Policy is essential for employees, clients, and shareholders to be confident that remuneration governance is consistent with best practices and promotes sound and effective risk management. Employee remuneration consists of both fixed and variable elements. The fixed element comprises basic salary and benefits. The variable part includes an annual bonus and long-term incentive awards which may involve equity options and growth shares.

One of the objectives laid out in last year's Stewardship Code report was to place a greater emphasis on stewardship & ESG within the appraisal process to incentivise employees accordingly. We are pleased to confirm that the breadth of inclusion of explicit objectives relating to ESG & Stewardship has increased significantly within the investment team (>50%) over 2022. We plan to increase the breadth further in 2023.

PRINCIPLE 2

Resources for Stewardship

Good stewardship requires sufficient resource from both a people and analytical perspective. As the business has developed its responsible investment framework in recent years, further investment has been made in tools to support the work (RepRisk, Morningstar, MainStreet Partners) and the amount of people assisting with this work has also grown. Additions to the team have been secured for 2023 to continue supporting our stewardship efforts – we look forward to covering this in more detail in our next report. Biographies for the key members involved in Stewardship are shown below:

MONA SHAH Head of Sustainable Investments	Mona is the Head of Sustainable Investments at Stonehage Fleming and acts as portfolio manager to the firm's multi-asset and equity-only sustainable investment strategies. Mona has sixteen years' experience in manager selection and portfolio construction. Prior to joining Stonehage Fleming in 2018, Mona worked at Rathbones Investment Management where she was Head of Collectives Research. At Rathbones, Mona began looking at sustainable investments through the lenses of listed renewable energy and infrastructure (public-private partnerships) but throughout her career has always prioritised best practise in governance. She is a CFA Charter holder and has a first class BSc (Hons) degree in Economics and Politics from the University of Bristol where her studies focused on economic development and social policy.
GUY HUDSON Head of Marketing and Communications	Guy is Head of Marketing and Communications for the Stonehage Fleming Group. As a Partner and member of the Operating Committee, Guy also leads on embedding, co-ordinating and measuring ESG considerations within the day to day running of the business, and is the Chairman of the Stewardship & Investment Sustainability Committee (SISC). Guy has nearly 40 years' experience in asset and wealth management. Prior to joining Stonehage in 2013, he was the Board Director leading Client Services at Heartwood, now Handelsbanken Wealth Management. Previously he had spent over 14 years at Newton and Mellon in senior sales, marketing and strategic development roles, including building Newton's private investment business and heading asset management distribution for Mellon in the US and Europe. Guy holds an MA in Modern History from Trinity College, Oxford and is a recent Vice-Chairman of Governors of Sherborne School. He was awarded the INSEAD Coaching Certificate in June 2022; he provides coaching and mentoring to executives inside and outside the Stonehage Fleming Group, including on a pro bono basis to C-Suite personnel in the charitable sector.
JOHN VEALE Deputy Head of Investments	John Veale is Deputy Head of Investments for Stonehage Fleming Investment Management and is responsible for multi-asset investment strategy and research. He joined the Group in 2001 working initially as a Portfolio Manager and Analyst. John has first-hand experience of the value of diversity in high performing teams as initially he practised as a Chartered Engineer and obtained a Master of Science in Engineering for research in numerical modelling from the University of Cape Town. As such, John has a particular interest in the flaws of financial modelling, particularly where they fail to incorporate ESG and the consequences for wider stakeholders. Furthermore, growing up in Zambia has meant that John is acute to issues around inequality and development economics relating to out emerging market investments. John is embracing his own sustainable lifestyle living on a flower farm in Surrey.

TRISTAN DOLPHIN Senior Research Analyst	Tristan is a Director within the Investment Strategy & Research team, focusing primarily on equity research and manager selection, of which the evaluations of ESG risks and ESG manager credentials forms a key input. Tristan sits on a number of investment committees including the committee for the firm's sustainable investment proposition and the London ESG Committee. Tristan is progressing our stewardship policies to formalise and enhance the work we do in this area. Tristan joined the business in 2011 and initially worked in the Direct Equity team at Stonehage Fleming during a period of strong growth before moving across to concentrate on manager selection and equity research. Tristan holds an honours degree in Psychology from the University of Plymouth and qualified as a CFA Charterholder in 2015.
TOM JEFFCOATE Head of Equity Funds	As Head of Equity Funds, Tom has oversight of all public equity funds and discretionary equity investments at Stonehage Fleming globally, with the exception of the Global Best Ideas Equity Fund (GBI) for which he is a Senior Research Analyst, specialising in in-depth research of companies across all sectors. Tom joined Stonehage from ZAN Partners having previously worked at Sigma Capital and PricewaterhouseCoopers. Tom is a CFA charterholder, a Chartered Member of the Chartered Institute for Securities and Investment and has an honours degree in Economics and Politics from Durham University. Tom also holds a CFA Certificate in ESG Investing and is responsible for driving the ESG agenda within the Global Equity Management team and for the GBI fund. He Chairs the GBI ESG Investment committee and is a member of the group Stewardship and Sustainable Investment Committee.
PETER ROGERSON Risk and Compliance	Peter is an Associate Director within the Risk and Compliance Team, providing compliance support to the Investment Management business, joining the group in 2016 having previously worked at the Financial Conduct Authority supervising regulated firms. He holds the IFS Diploma in Financial Planning and the CISI Certificate in Risk in Financial Services. Peter has an interest in Environmental and Social issues within investment management and is a member of the Stonehage Fleming Stewardship and Investment Sustainability Committee. Peter has experience of both EU and UK Sustainable Regulations affecting financial services, including the Sustainable Finance Disclosure Regulation (SFDR) and Task Force on Climate-related Financial Disclosures (TCFD).
JON SCARLL Head of Operations	Jon is Head of Investment Operations and joined the Stonehage group in late 2020 and has 29 years' investment operations experience. Prior to Stonehage Fleming, Jon has held senior operational roles within financial services. Jon sits on the firm's ESG Committee and takes a keen interest in the continually evolving E&S landscape, working within the firm to implement processes to measure and support its socially responsible investing and adherence to its regulatory reporting obligations. Jon holds a BA in Management from the University of London.

STONEHAGE FLEMING STEWARDSHIP REPORT 2023

PRINCIPLE 2

DIVERSITY & INCLUSION COMMITTEE (D&IC)

The D&I Committee was established in 2020 with representatives from across business lines, functions, and geographies, with varying levels of organisational seniority. Chaired by our Group CEO Chris Merry, the D&I Committee is charged with establishing meaningful and achievable goals to increase awareness of D&I issues and effect change so that Stonehage Fleming is a truly diverse and inclusive business in terms of its staff composition, attitudes and practices.

Dena Brumpton was appointed in 2022 as the first woman member of the Group's Board, and we have added Carol Mote, Global Head of HR, to our Executive Committee. The firm has also signed up to HM Treasury's Women in Finance Charter. We are committed to the principles of the Charter to see gender balance at all levels across financial services firms.

Diversity & Inclusion training was rolled out to staff across offices in 2022 and this is planned to occur annually going forwards.

We plan to provide more detailed statistics in this area in future reports.

GROUP OPERATING COMMITTEE (OPCO)

This body includes leaders of all Group central operating functions: Risk and Compliance, Operations and IT, HR, Finance and Marketing, and is chaired by the Group COO, who is also a member of the Executive Committee and the Group Board.

Buildings and Facilities management for the 19 offices across the Group report into Operations and are responsible for ensuring that best practices in terms of sustainability are applied across the Group, including relationships with suppliers, recycling and waste management, conformity with local regulations, and energy conservation. The business has brought in additional expertise in this area with the hire of Lorraine Whitby in 2020 who has over 20 years of Facilities management experience.

Travel policies governing client-related and intra-company travel are authorised by Finance and HR to ensure that non-essential travel is limited and the Group's carbon footprint is tracked and managed appropriately. Following the halt to travel through the Covid period, we will be reinstituting carbon offsetting as a standard practice for the financial year ending 31 March 2023, the first full year of a normalised business travel environment.

In addition to its involvement with employee health and wellbeing, HR is also responsible for implementing any specific actions agreed/mandated by the D&I committee regarding awareness training and appointments across the Group to achieve agreed D&I targets.

Marketing communicates the Group's expressions of its social capital, particularly its involvement with charitable enterprises and volunteering across the firm's offices, to all internal and external audiences.

PRINCIPLE 2

LOCAL ESG COMMITTEES

The geographic and cultural diffusion of the business means that community engagement is driven primarily at a local level. Local ESG committees select charities to engage with, through volunteering, raising awareness on the Group's media channels, and fund-raising activities. The Group has a volunteering policy enabling staff to spend up to 17 hours volunteering for charities of their choice; the larger offices have all adopted local charities and institutions to support as part of the Group's community engagement programme. One initiative this year sees Stonehage Fleming becoming a Founder Member of the Chancellor's Circle of the University of Westminster.

In addition, the local committees have an important role to play in best practice and idea generation, the communication of these to the relevant formal bodies, and in ensuring that the Group's ambitions for its carbon footprint can be applied sensibly at a local level. This is particularly relevant for those of our offices based in island communities where e.g. recycling processes are not uniform.

NEW FOR 2022

- SISC Committee now formalised and meeting regularly to provide stewardship & ESG oversight.
- Increased awareness of stewardship and ESG approach with SISC members having teach-in sessions with various other teams within the business.
- New dedicated ESG hire secured for 2023.
- Increase the breadth of explicit objectives related to stewardship and ESG within the appraisal process (>50%). This was one of the objectives that we set ourselves in the prior year.

FUTURE GOALS

Ensure all members of the investment team have stewardship and ESG incorporated within the appraisal process.




PRINCIPLE 3: MANAGE CONFLICTS, BEST INTERESTS, CLIENTS FIRST

Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first

SFIM UK CONFLICTS OF INTEREST POLICIES AND PROCEDURES

SFIM UK maintains a comprehensive Conflicts of Interest Policy that applies to all of our activities. Managing conflicts effectively is central to our duty of care. The oversight falls to our Risk and Compliance Team, but the responsibility rests with the management team. Our conflicts of interest policy document can be found on our website here. We approach managing conflicts as follows:

- Identify circumstances that do or may give rise to conflicts of interest.
- Take appropriate steps to avoid or manage those conflicts of interest.
- Disclose conflicts of interest as appropriate.

We define conflicts as either 'Structural' or 'Transactional.' Each business unit has a Conflicts of Interest matrix, which details structural conflicts and records how these conflicts are managed and controlled. It is reviewed, at a minimum, annually. Transactional conflicts must be recorded separately within the Group's central Conflicts of Interest Register.

SFIM UK, in the management of conflicts, refers to Financial Conduct Authority (FCA) Principle 8 of the FCA Principles for Business, which sets out the fundamental obligations of all authorised firms under the regulatory system. This Principle has been expanded in Chapter 10 of the FCA handbook's Senior Management Arrangements, Systems and Controls sourcebook (SYSC). It requires firms to take all appropriate steps to identify and prevent or manage conflicts of interest.

Our conflicts of interest policy is reviewed by internal audit and also externally by BDO. This helps provide assurance that our policy is in order.

In order to ensure that the business manages conflicts appropriately, periodic training is provided so that all staff are familiar with our approach to managing conflicts and best practice around this.

Examples of Conflicts and their Resolution related to Stewardship

Actual or potential conflicts related to Stewardship form a subset of the overall number of conflicts which could exist within the business, and in these instances, we will always put our clients' interests first. Listed below are the structural and potential conflicts of interest related to Stewardship.

There was one actual conflict identified during the reporting period:

Director of one of our multi-asset Funds is also a director on one of the underlying Funds

The Stonehage Fleming Global Multi-Asset Portfolio Fund (GMAP) has a director on its board, who also is a director of one of the underlying Funds, Findlay Park, which is invested in by GMAP.

The situation was flagged and raised as a discussion point with compliance and members of the SISC.

Following a meeting on the matter it was deemed that the conflict was not material given the director is not involved in the investment decision making process for GMAP.

01 EXAMPLE

There are a number of a number of pre-existing structural conflicts which we monitor and mitigate as necessary

Allocation of capital to our in-house public equity offering by our multi-asset team

The vast majority of our multi-asset portfolios are invested in external managers, but we do allocate capital to our in-house teams. When we do use internal offerings, we are guided by the following:

- We will use in-house products only where we believe wrapping its investment strategy, which could otherwise be offered as a set of direct investments, into a fund structure will enhance clients' investment outcomes.
- We will reduce the financial conflict of interest of generating additional fees. Where a client is paying our standard multi-asset fee, any in-house public equity strategy used will either have a zero management fee class, or the multi-asset fee will be reduced by any management fee charged within the product.
- All in-house investment products are scrutinised and evaluated using the same parameters set for third party external managers.

02 EXAMPLE

PRINCIPLE 3

Commercially beneficial for clients to go into particular mandates

Some strategies have lower levels of assets and these may benefit from additional assets to bring them up to a critical mass.

In order to mitigate this conflict, rigorous work is done at the take-on stage to ensure that clients are in the most appropriate mandate. We have signed up to a new provider this year, Oxford Risk, to further aid us with determining the suitable mandate for clients. A combination of understanding our client well and full transparency helps to mitigate this risk, and ensure investments are in the correct strategy.

03 EXAMPLE

Material conflicts of interest for our equity selection team include:

- SFIM UK (or an affiliate) serves as financial advisor to or provides other services to the Investee Company.
- The proponent of a shareholder proposal is a SFIM UK client.
- An employee of SFIM UK has a material relationship with the Company.
- An employee of SFIM UK (or an affiliate) sits on a company's Board of Directors.

When such a conflict of interest arises, SFIM UK will remain impartial in exercising proxy voting rights by abstaining or voting based on the majority recommendation made by a proxy advisor, currently Glass Lewis.

Issues may arise where SFIM UK determines that there is a material conflict of interest. In such instances SFIM UK will notify the specific client of its voting intentions. If there is disagreement between SFIM UK's voting intention and the wishes of the individual client, SFIM UK will abstain from the specific vote for that client. SFIM UK will also consult the Stonehage Fleming Group Conflicts of Interest Policy and may take further action if required.

04 EXAMPLE

STONEHAGE FLEMING STEWARDSHIP REPORT 2023

Differing stewardship preferences of our clients

This may arise where clients have opted to vote on their own shares rather than allow SFIM UK to vote on their behalf. In these instances, we would respect the client's wishes and vote accordingly for each client.

05 EXAMPLE

Price Sensitive Information

There may be times where our investment team are exposed to price sensitive information. In the event of this happening, the team would follow our compliance policies to ensure we meet our regulatory and legal responsibilities.

Regular training is provided to the firm to ensure there is a high level of knowledge in this area including how these events should be reported and escalated.

06 EXAMPLE

Our third party manager selection team may invest in a Fund where the equity of the asset manager which houses the Fund is held by our in-house equity team

There is clear separation between our third party manager selection team and our direct equity team, with both operating independently. We are confident that this conflict could be managed if it were to arise.

07 EXAMPLE

NEW FOR 2022

- We have published our conflict of interest policy on our website and provided a link to it within this section.
- New suitability software should further aid us with determining the suitable mandate for clients, which helps mitigate the conflict of interest around mandate selection.

PRINCIPLE 4: IDENTIFY, RESPOND, PROMOTE

Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system

SFIM UK PORTFOLIOS

As defined above, our purpose is to preserve and grow the real wealth of the clients we serve across multiple generations and play a responsible role in the functioning of financial markets. Consideration of systemic risk is essential to the fulfilment of our stated purposes. A major adverse market event may result in market losses, but these should be recoverable and not result in the permanent loss of capital.

Our portfolios, therefore, are built with the following ideology, which serves to reduce the impact of systemic risk events:

- A long-term, multi-year mind-set.
- A global orientation.
- An emphasis on high quality investments.
- Avoidance of leverage.
- Avoidance of complexity.

While the portfolios are built to be robust and withstand a variety of market conditions, this needs constant appraisal and review. Our investment committee takes responsibility for ensuring this is the case for multi-asset portfolios, and our Risk team informs that process.

The responsibilities of the investment committee

The investment committee is led by Graham Wainer (CEO Investment Management) and also includes John Veale (Deputy Head of Investments) and Peter McLean. The committee meets several times a month and is responsible for establishing our clients' strategic investment approach, including an appropriate risk framework, strategic and tactical asset allocation, and the implementation of portfolios with suitable investments. The committee also directs the research team to investigate new opportunities and reviews manager research reports on funds and products before submitting them to the Fund and Security Selection Committee.

The Investment Committee approaches market-wide and systemic risk from several different angles.

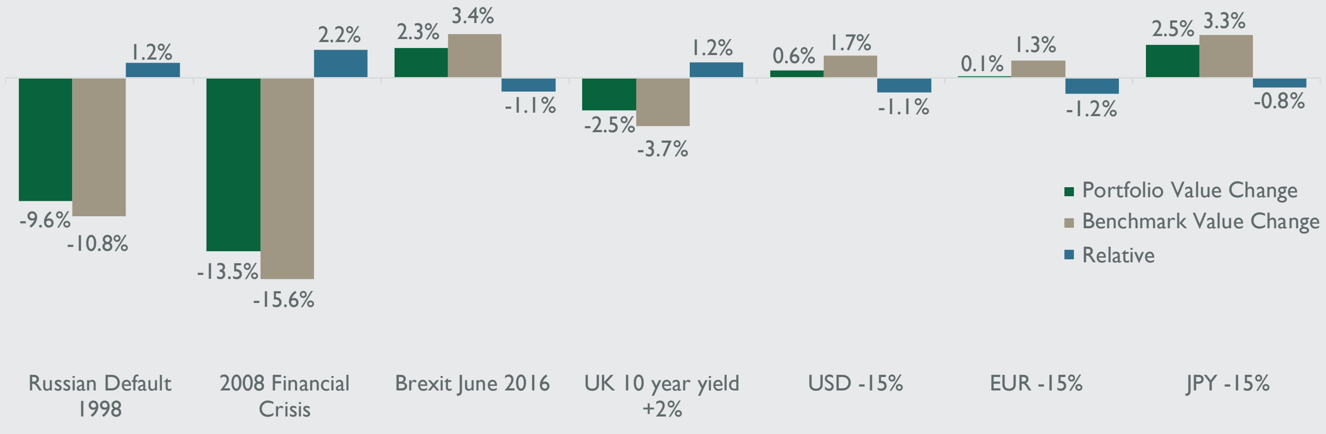
STONEHAGE FLEMING STEWARDSHIP REPORT 2023

MANAGING RISK – INVESTMENT PORTFOLIOS

The Investment Committee utilises risk reports and stress tests generated by FIS® Investment Risk Manager (formerly APT) – an external risk management system. This allows us to review historic systemic events and evaluate the outcomes that our current portfolios might have sustained during those events. This is helpful in assessing the sensitivity of the portfolios to systemic shocks and ensuring that the risk of the portfolios is commensurate with the risk tolerance of the client. It also allows us to input alternative adverse scenarios (interest rate changes, currency fluctuations, etc.), and determine how these may impact portfolios.

Below is a sample of our Scenario Analysis tool, which allows us to see how the portfolio is likely to be impacted by either historical events or different stress scenarios. While we cannot predict what might occur in the future, this sort of stress analysis is good at highlighting correlation risks which might not be as conspicuous when reviewing rudimentary exposure reports.

TM STONEHAGE FLEMING GLOBAL BALANCED PORTFOLIO FUND VS STRATEGIC ASSET ALLOCATION



Source: FIS® Investment Risk Manager, January 2023. Strategic Asset Allocation: 55% MSCI World All Country Total Return Index, 31% Bloomberg Barclays Global Aggregate, 12% HFRX Equal Weighted Index, 2% Cash. Returns in GBP.

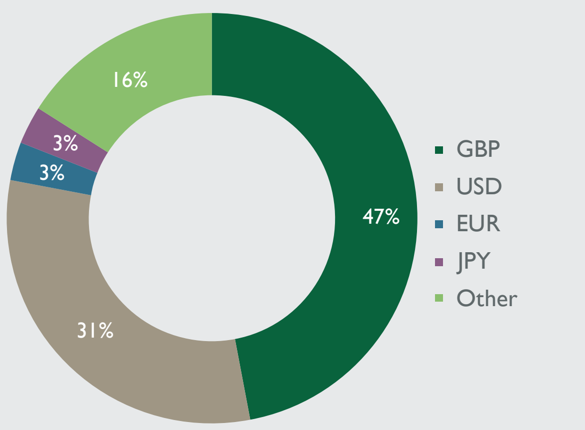
PRINCIPLE 4

We fully recognise that models are only as good as the data they draw upon.

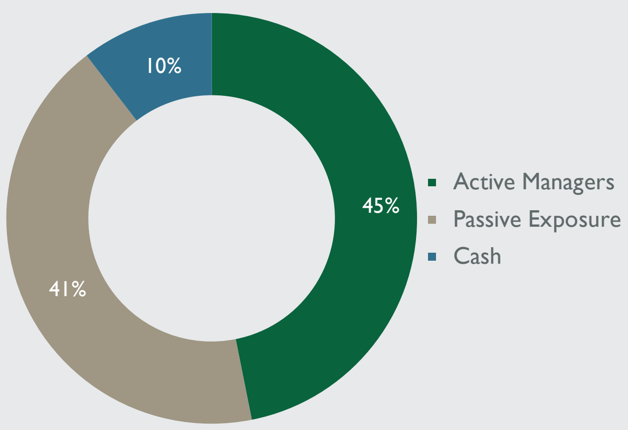
We pride ourselves on the granularity of our information and obtain underlying holdings data for most of our third-party managers. We can review portfolios on a 'look-through' basis to ensure we identify all cross-holdings and concentrations and get a clear picture of exactly how and where our clients' capital is deployed.

TM STONEHAGE FLEMING GLOBAL BALANCED PORTFOLIO FUND

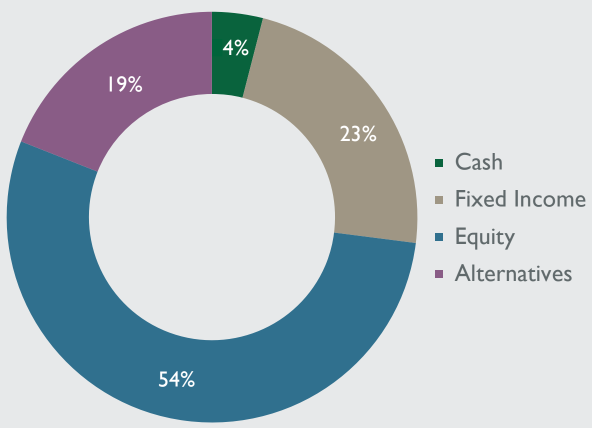
Currency Allocation



Strategy Breakdown



Asset Allocation



Detailed Asset Allocation (%)

Cash	4.5
US Equity	31.1
Government Bonds	15.0
Europe ex UK Equity	4.4
Non-Government Bonds	7.8
UK Equity	8.7
Alternative Strategies	10.9
Asian Equity (Inc. Japan)	3.1
Commodities	7.6
Emerging Market Equity	6.8

Source: TM Stonehage Fleming Global Balanced Portfolio Fund Factsheet, January 2023

MANAGING RISK – CLIMATE CHANGE

Climate change poses a significant risk to the health of the financial system, and we have a responsibility to play our part in helping to mitigate this.

Our starting point is our own carbon footprint and we have made a number of recent developments:

- Moved into our new London offices in 2022 which has stronger environmental credentials than our previous office (excellent BREEAM rating). The overall relocation project was 60% reuse and we are finalists in the BCO (British Council for Offices) awards as a result.
- As part of the move we were able to support a school with 20% surplus furniture and donated clothes and shoes that were left behind to a charity.
- We are using Savills to audit our London office and create a framework to help us benchmark and measure our environmental impact. This framework will be scalable and we will roll out to other sites throughout the next financial year.
- We will be producing reports on paper/print consumptions as part of the above to raise awareness.
- We no longer procure glass or plastic water bottles for our hospitality.

Climate change is also one of the long-term material risks for asset prices. We look to mitigate this through analysis and engagement for our direct equity holdings with more detail provided on this in Principle 7.
For indirect investments, we have obtained additional climate datasets, identifying portfolio carbon emissions scope 1 & 2 data for our aggregate equity holdings (see below). This data is available for the Investment Committee so they are in a better position to manage our sensitivity to climate risk. We think more can be done here to formalise the process of analysing portfolio level climate risk data – this is one of our objectives for 2023.

SCOPE 1 & 2 EMISSIONS - LOOK-THROUGH DATA

Source: Morningstar, SFIM. Data as of February 2023.

PRINCIPLE 4

We engage with underlying fund managers to understand how they examine climate risk and the potential impact on portfolio holdings. It is our expectation that by working closely with some of the most talented external fund managers, our clients will benefit from managers getting ahead of the curve on which companies will be more resistant to climate change. The example below shows a proprietary carbon tax model for a company that one of our US equity fund managers are invested in - helping to highlight companies more or less at risk from climate change.

Year	Estimated 'Tax' USD
FY2020	22,563,318
FY2021	23,005,736
FY2022	23,448,154
FY2023	23,890,572
FY2024	24,332,990
FY2025	24,775,408
FY2022 Tax as a % of Net Income	2.40%
Warming Potential Scope 1	1.4°C

Source: Findlay Park, Responsible Investment and Engagement Report 2021

A combination of having more tools to look at climate change data and speaking to our underlying managers has meant we are in a better position to challenge managers on their climate assumptions. One of our objectives for the year has been to engage more with managers on these issues and challenge their assumptions. The example below highlights a case during the reporting where our engagement on climate change assumptions actually led to the manager producing a new piece of work to back up their views.

Catastrophe Bond Fund engagement

During 2022, we challenged the sub-manager of the Catastrophe Bond Fund we invest in, on their assumptions for climate change and the impact on the pricing of catastrophe bonds.
The manager has previously discussed their views on the matter during meetings, but hadn't formally laid out the basis for their assumptions. As part of this exercise, we met with several other catastrophe bond fund managers to understand their assumptions for climate change, so we were in a better position to challenge our manager's views.

Following pressure to provide more detail on the assumptions used, the manager produced a comprehensive document detailing their position with reference to the latest research from the Intergovernmental Panel on Climate Change (IPCC). Following this piece of work, we have gained confidence in the manager's awareness of climate change issues and it also forms the basis for stress testing the manager's assumptions in the future.

01
EXAMPLE

STONEHAGE FLEMING STEWARDSHIP REPORT 2023

MANAGING RISK – BUSINESS FAILURE

Counterparty risk

The due diligence we perform on counterparties looks to identify systemic risks which may impact our clients as well as the functioning of the broader financial system. We review our core custodians in the following way and provide a relevant example from the reporting period.

Annually	The Operations team send an annual due diligence questionnaire to each of our core custodians. Questions include staff turnover, potential legal actions and media coverage. We also receive the latest financial results and AAF reports. The results of the questionnaire and analysis of the reports are reviewed by the Outsourcing & Counterparty Committee. One of the enhancements to our process for 2022 was to include a section on ESG policies and participation. We will look to track progress here in the coming years.
Bi-annually	On a bi-annual basis, all approved brokers are reviewed by the SFIM UK Dealing team to ensure they are meeting agreed service levels and remain appropriate for use.
Quarterly	CDS spreads for those core custodians and approved brokers available on Bloomberg are reviewed quarterly and data presented to the Risk & Controls Committee. Any concerns are immediately escalated. In periods of financial stress or if a counterparty is seen as a higher risk, monitoring will be completed more frequently and a formal due diligence review can be completed.
Monthly	CDS spreads for those core custodians available on Bloomberg are assessed monthly. Any concerns are immediately escalated. In periods of financial stress, or if a counterparty is seen as a higher risk, monitoring will be completed more frequently and a formal due diligence review can be completed.
Ongoing	Counterparties are monitored by the Compliance team by uploading them into the Risk Screen application. This application screens for sanctions and legal and reputational issues. Anyone within the organisation can recommend a suspension of trading with a counterparty at any time if information becomes available through the various monitoring frameworks. In addition to the CDS monitoring performed by the Performance & Risk team, we also engage a third party credit ratings agency who provide a continuous credit monitoring function and advise on any material changes to the credit rating for each counterparty. This data is monitored by the Risk & Controls committee on a monthly basis.

PRINCIPLE 4

Counterparty Risk Assessment

During 2022, enhanced due diligence was performed on one of the operational service providers we use following concerns over the financial health of the business. A related entity to the one we are contracted with received a large regulatory fine plus redress payments which could pose a risk to the survival of their overall business.

We had several meetings with the firm to better understand their position and sought the opinion of the Fund Directors. We decided that we should take action to protect our clients in case the firm went into administration, and performed extensive due diligence on 4 alternative providers. It subsequently emerged that the entity we were contracted with was in advanced talks to be sold to a more secure counterparty. We are currently performing due diligence on the potential buyer in order to make a decision on whether to remain with the existing provider or move to an alternative firm.

02
EXAMPLE

Third-party manager failure

We manage the risk of failure by a third-party manager by conducting extensive and detailed upfront due diligence and then in-depth ongoing monitoring. Our upfront due diligence process can take many weeks and includes multiple meetings with management and operational staff, detailed documentation review, and a thorough challenge process at both the Investment Committee level and the Fund and Security Selection Committee. Once approved, we meet at a minimum annually with core fund managers, conduct a detailed assessment of performance quarterly and review the annual audited financial statements of the fund when released.

MANAGING RISK – RUSSIA/UKRAINE

Russia's invasion of Ukraine at the beginning of 2022 represents both a systemic and market-wide risk, alongside being a deep human tragedy. The business took a number of steps over the period in responding to the event:

- Clients were kept regularly up to date with developments on the event and how their investment portfolios were performing through this period of increased volatility.
- Investment portfolios had some re-positioning with a reduction of equity exposure to Continental Europe and some rotation of UK investments to more resilient companies. The aggregate impact of these actions was positive for client portfolios.
- We enhanced our sanctions management process with deeper regular checks against relevant sanction databases. Separately, Group Internal Audit reviewed this process with an outcome of "reasonable assurance".
- Relationships with certain Russian connected clients were terminated, even if they were not subject to sanctions.

STONEHAGE FLEMING STEWARDSHIP REPORT 2023

MANAGING RISK – COST OF LIVING CRISIS

The cost of living crisis, which is well documented in the UK and other nations globally, has negative implications for both people and economies (market-wide risk). Recognising the challenges that our employees face, particularly those at less senior levels, the decision was taken to increase salaries more for those colleagues below Partner level than for Partners of the firm in the 2022 salary review. Furthermore, there was a one-off cost of living payment made towards the end of the year to staff at less senior levels. The business will continue to look for ways to help address the cost of living crisis and support staff during these difficult times.

ENCOURAGING RESPONSIBLE PRACTICES

We take many active steps to engage with others and influence issuers to address systemic risks within their portfolios. One of the projects we started in 2021, and covered in our previous submission, was encouraging underlying managers to become PRI signatories.
In 2022, we wrote to all our managers which weren't currently signed up and encouraged them to do so.
We are pleased with the results with an increase in signatories across asset classes. The most noticeable increase was in Private Capital with the ratio increasing from 56% to 75% in the space of a year – we continue to engage with the underlying managers and hope to report a further increase in 2023.

NEW FOR 2022

- Completed our move into new London offices in 2022, which has stronger environmental credentials than our previous office (Excellent BREEAM rating). The overall relocation project was 60% reuse and we are finalists in the BCO (British Council for Offices) awards as a result.
- Further action on climate risk, such as engagement with catastrophe bond manager.
- Enhancement to counterparty risk assessment with inclusion of ESG policies & participation.
- Proactively responding to a live counterparty risk example.
- Responding to the Russia invasion of Ukraine through compliance, investment and client actions.
- Responding to the Cost of Living Crisis through increased compensation for staff at less senior levels.

FUTURE GOALS

Formalising the process around the Investment Committee reviewing climate data risk across portfolios, including looking at additional tools to assist with this analysis.

PRINCIPLE 5: REVIEW, ASSURE, ASSESS

Signatories review their policies, assure their processes, and assess the effectiveness of their activities.

REVIEW OF SFIM UK POLICIES AND PROCESSES

The policies and processes of SFIM UK have three separate parties that review and assess their effectiveness:

- Internal Audit. It's focus is to provide independent assurance on our risk management, governance and internal control processes. Every year Internal Audit completes a risk based internal audit plan.
- External Review by BDO. We are audited by BDO on our internal control environment and the scope covers controls within Investment Management and IT sections under AAF 01/20 standard. This audit includes our policies which cover stewardship related matters.
- Stewardship and Investment Sustainability Committee. This committee has a specific focus on stewardship oversight.

The table on page 43 gives additional detail on the Stewardship and Investment Sustainability Committee and its day-to-day functioning and how it will reflect on the firm's effectiveness with respect to Stewardship, Sustainability and Governance matters.

The committee is chaired by one of the firm's partners, Guy Hudson, and it reports into the CEO Investment Management, Graham Wainer and the SFIM Board.

STONEHAGE FLEMING STEWARDSHIP REPORT 2023

Annually

On an annual basis, the committee will review the policy and approach of SFIM UK and ensure that it is meeting the requirements as defined in Principle 2. This review includes a continued effort to improve our stewardship processes having taken any feedback from other parties reviewing our approach (Internal Audit, BDO)

Quarterly

On at least a quarterly basis, the Committee will review management information that is useful in assessing the effectiveness of our processes in meeting the stated objectives of the committee.

These will include:

Voting Records

- Votes undertaken by the investment management team will be reviewed and we will ensure that all votes taken are consistent with our philosophy and objectives.
- Refer to Principle 12, where we expand on our actions in respect of voting.

Engagement including outcomes

- We will review all instances of engagement across both the equity selection and manager selection teams and review the outcomes of these engagement actions. This will provide opportunities to review successes and failures and help shape best practice on an ongoing basis.
- Refer to Principle 9 & Principle 11 where we have examples of our engagement.

Regulatory Reporting

- The committee will review Regulatory reporting requirements and ensure these meet the requisite standard and are being conducted in a timely and professional manner. Examples of requisite regulatory reporting include the Shareholder Rights Directive and the Sustainable Finance Disclosure Regulation (SFDR).

Adhoc/Ongoing

When due, the committee will review our submissions to The Financial Reporting Council in the form of the UK Stewardship Code and the submission to the United Nations Principles for Responsible Investment.

The Stewardship report itself has been reviewed and signed off by senior professionals across departments including the investment team, operations and compliance. It has also been reviewed and signed off by the Group Investment Management Executive Committee (GINExCo), our CEO Investment Management, Graham Wainer, and our Group CEO, Chris Merry.

NEW FOR 2022

Stewardship & Investment Sustainability Committee now formalised and meeting monthly to provide stewardship & ESG oversight.

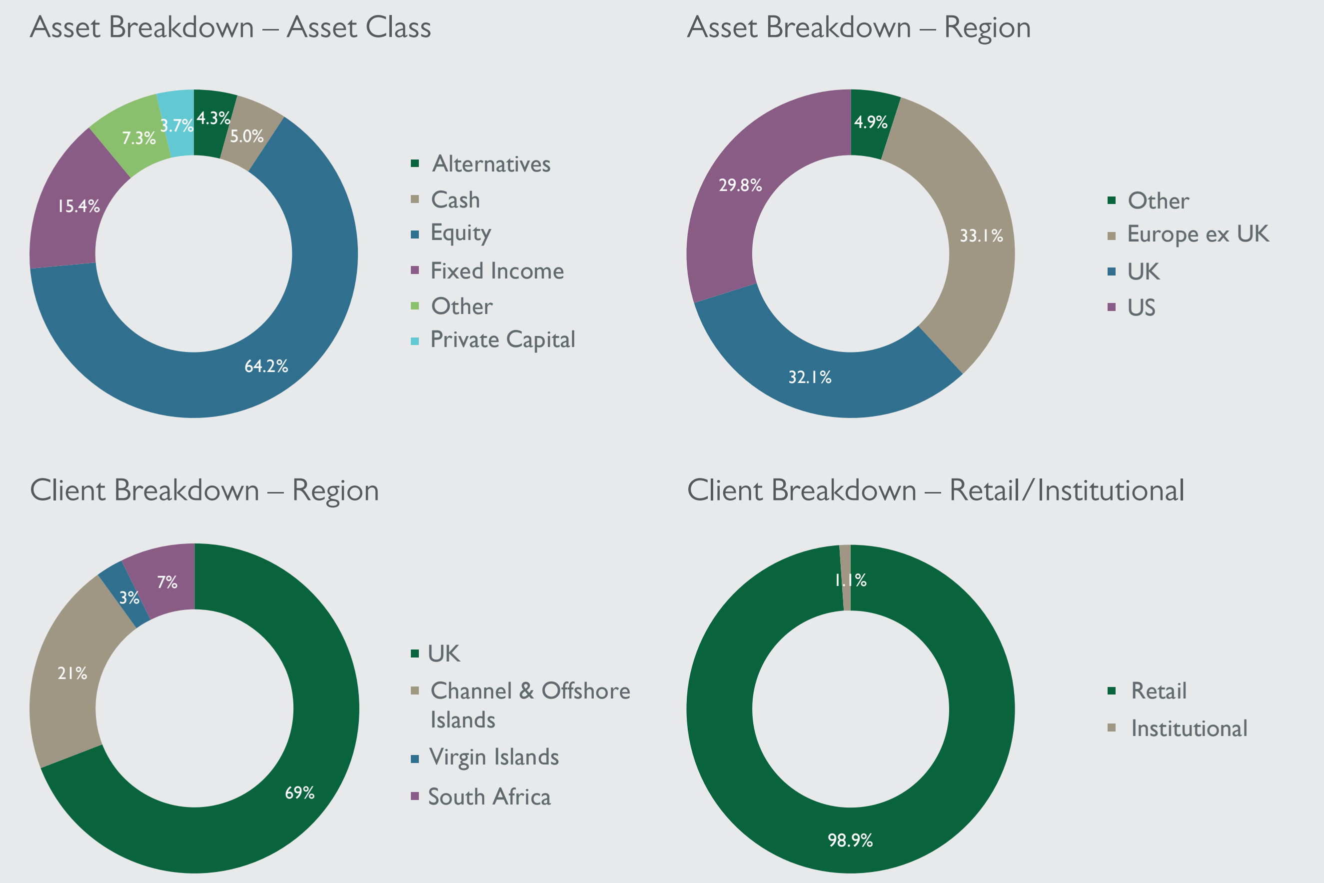
PRINCIPLE 6: ACCOUNT, COMMUNICATE, INVEST

Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

CLIENT BASE AND ASSETS UNDER MANAGEMENT

At the end of 2022, we managed £13.2bn in assets on behalf of our clients. Our investment portfolios are diversified and global in nature, which is reflected by the breadth of exposure by asset classes and region.

INVESTMENT PORTFOLIO BREAKDOWN



Source: Stonehage Fleming, January 2023

STONEHAGE FLEMING STEWARDSHIP REPORT 2023

SFIM UK'S APPROACH TO CLIENTS

No two family clients have identical investment needs. Some of our clients are in the first generation of family wealth; others have many members across multiple generations, where succession and governance can be key investment issues.

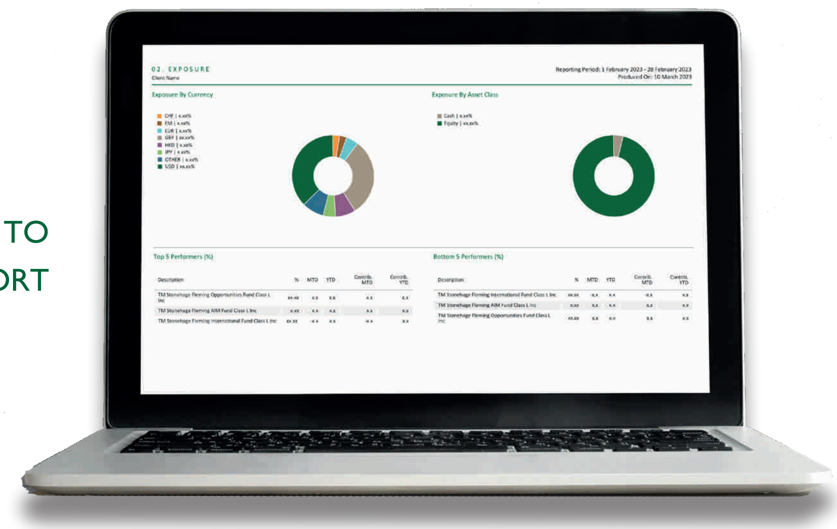
We have a large team and a limited number of clients. This allows us to spend considerable amounts of time with each client to fully understand them and their beneficiaries' needs. As stated in Principle 1, our starting point for a new relationship is always to understand the purpose of a client's investments, the timescale, their attitude to risk and return, the beneficiaries, and the role of any other advisers. We articulate clearly what is achievable and how we intend to go about it.

When taking clients on, we conduct a thorough and comprehensive review of their needs, and revisit periodically (and update where appropriate). A new development in 2022 was the introduction of Oxford Risk, a software tool that applies behavioural finance to a suitability profile of a client. The rationale for its selection was that the questionnaire is easy for clients to understand and the behavioural aspects allow for more meaningful conversations with clients.

We provide detailed written reports and commentary quarterly and then in-person review meetings as required. We are not prescriptive about the amount of contact we have with our clients. It is their money, or money for which they have a fiduciary responsibility, and we are at their disposal as frequently as they wish.

An example of our reporting on multi-asset portfolios and a direct equity mandate:

CLICK ON THE IMAGE TO REVIEW AN EXAMPLE REPORT



PRINCIPLE 6

As reference, we describe a family engagement from 2022 which required us to fulfil our stewardship role for their unique set of circumstances.

Client seeking trusted advisor after a liquidity event

A UK based family sold a logistics business to a US company. The family had previously no involvement with a specialist investment advisor and were seeking professional 'post exit expertise'. Large institutions and banks had approached them, but the family felt that they were pressuring them to invest the sale proceeds rapidly. Instead, they needed help to:

- Define the purpose of their wealth.
- Better understand their assets/balance sheet and cash flows.
- Establish an investment strategy that will meet the long-term needs of present and future generations.
- Populate a portfolio of assets to meet these requirements.

We assisted in the following way:

- Our wealth planning team were able to provide the analysis on assets and cash flows so the family, including next generation, better understood their financial situation.
- An investment mandate was created reflecting the objectives of the client and included a component of sustainable investments for two family members who wished for their capital to have a positive impact on environmental and social outcomes.
- An implementation plan was developed that the family were comfortable with, including the phased deployment of cash.

01 CLIENT EXAMPLE

NEXT GENERATION CONFERENCE

Principle 6 asks signatories to take into account client and beneficiary needs and seek their views. We believe we are skilled at doing so because of the personalised approach we take. However, perhaps less documented, is that many of our clients struggle to articulate what those needs are, particularly when we reach beyond the realm of the purely financial. We want to encourage active thought and discussion around the purpose of wealth. While all clients have welcomed these discussions, we often see the greatest engagement coming from younger family members.

As the future custodians of the family wealth, we believe that it is crucial that the next generation feels able to have meaningful conversations, play a part in key decisions and understand their role – be that in a family business, running an estate or engaging with wealth from an investment or philanthropic perspective.

The Four Pillars of Capital (see Page 48) are a vital tool for us in our support and education of the next generation as they begin the process of understanding the responsibilities that go hand in hand with the privilege of wealth.
Our major programme is held in June for c.30 members of the Next Generation of university age; held on site in our London offices, introductions to various aspects of wealth planning and investments are blended with topics on leadership, philanthropy, well-being and reputation. The programme also includes talks from entrepreneurs and team building and presentation exercises.
Other highly regarded professional firms complement our in house expertise in this week long programme.

We and our partners have provided this valuable educational programme pro bono, with participants asked to make a donation to our chosen Charity Partner. Most recently, this was Envision, a community action charity helping young people from less privileged backgrounds acquire life skills not generally taught in their schools.

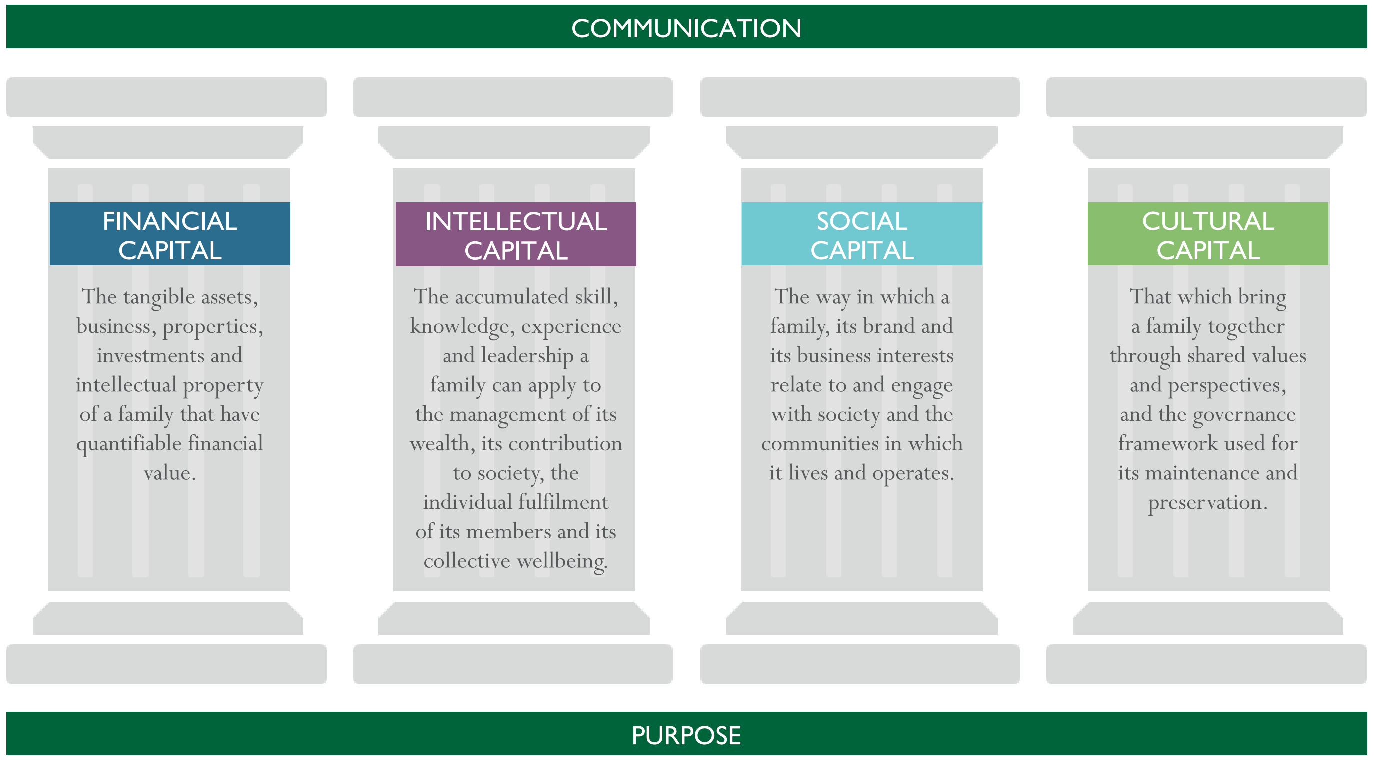
In addition to this programme, our Family Succession and Governance team offer customised educational and mentoring programmes to the Next Gen of client families to complement strategic work they undertake in supporting their long-term planning needs.

PRINCIPLE 6

FOUR PILLARS OF CAPITAL — REPORTS

Since 2013, we have published four reports with the overarching theme of Wealth Strategies for Intergenerational Success. Each one has generated valuable insights and practical wisdom from families, wealth creators and their trusted advisers, highlighting the challenges of sustaining wealth across generations. Comprised of a carefully structured online survey, supplemented with detailed in person qualitative discussions, we are able to secure exceptionally powerful data that contributes to better understanding our clients, the development of our service offering as well as helping frame discussions we have with the families we are privileged to support.

The simple premise we have constructed based on the insights, is that families and wealth creators should not focus solely on the stewardship of their financial capital; their social, cultural and intellectual capital, underpinned by collective purpose are equally as important to the successful transition of wealth and reputation, and the creation of an impactful legacy. Indeed, our research suggests that the biggest risks to financial capital result from inadequate attention to the fundamentals of the other pillars.



STONEHAGE FLEMING STEWARDSHIP REPORT 2023

The Four Pillars has significant impact on our Stewardship of the capital we are entrusted to deploy on behalf of our clients; as we referenced in our last submission, the results of the 2018 report led directly to the establishment of our first fully focused sustainable investment strategy, as well as formalising our approach to Family Governance and Succession and Reputation Management. But we believe the insights we can share also help our clients themselves become better Stewards of their wealth – helping them evaluate and plan their societal contribution and engagement, to consider the necessity of preparing the Next Generation for their responsibilities, the value of their intellectual capital in sustaining wealth, and the importance of having leaders properly equipped to fulfil their role in the family's dynamic.

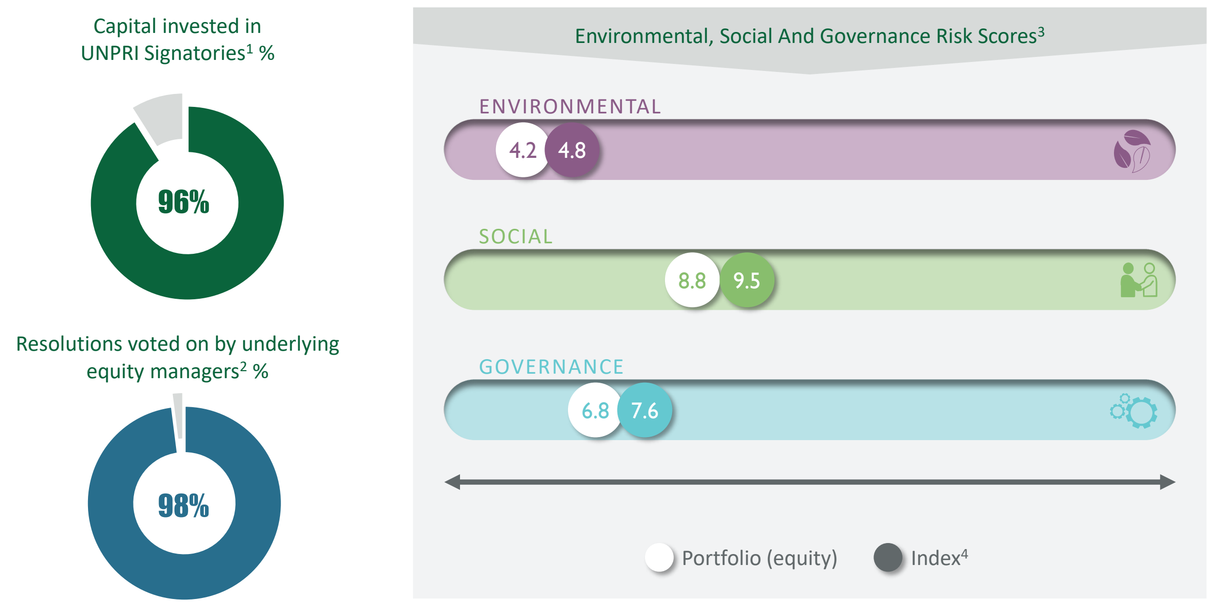
As we look forward to 2023, we are in the process of launching a more ambitious research piece, aiming to double (to c.300) the audience from whom we gather data, increasing the number of jurisdictions from which the families are drawn or are based, and significantly increasing the number of formal interviews to secure invaluable qualitative commentary. Whilst the outputs are extraordinarily powerful, the process also provides an opportunity for engagement which goes beyond mandated responsibilities for reporting and review.

PRINCIPLE 6

Sharing Sustainable Data with Clients

As shown in Principles 7, 8 and 9, SFIM gather a range of data on investments and managers, which include the E, S and G scores, how many are UNPRI signatories, and the underlying voting data. When reporting back to clients in regular updates, this data is available to be shared in presentation packs in order to inform clients what the ESG credentials of their portfolios look like. Additional data is shared on our Sustainable Investment Strategies, where we have sought external expertise in mapping the underlying investments to the UN Sustainability Goals framework. Examples of each are shown below.

TM Stonehage Fleming Global Balanced Portfolio Fund



1. Source: Stonehage Fleming, underlying managers. UNPRI stands for United Nations Principles for Responsible Investment and data as of 30.12.2022.
2. Source: Underlying managers. Voting data is for 2022.
3. Source: Morningstar, January 2023. Bar size and circles are illustrative, but scores are accurate and use Morningstar sustainable risk scores (0-100); lower score is lower risk
4. Index is MSCI All Country Index

We can use ESG Portfolio analysis tools to demonstrate the impact of a £1m investment in the **balanced** portfolio:

GREENHOUSE GAS EMISSIONS	CO_2 avoided in tonnes (per £100,000 invested)	206.0
HIGH RISK PATIENTS	Number of high risk patients treated (per £100,000 invested)	7.0
MICROFINANCE	Microfinance Projects Achieved	5.0
GENDER EQUALITY	Percentage of women on the board	28.0
WATER MANAGEMENT	Litres of water saved (millions)	26.6
FOOD HEALTH	Healthy food produced and distributed expressed in the number of meals provided	205.0
WORKING ENVIRONMENT	Percentage of companies with a decent working environment	49.0
INDEPENDENCE	Percentage of independent directors	70.0
WASTE MANAGEMENT	Percentage of companies with waste management policies	94.0
SUPPLY CHAIN	Percentage of resource efficient companies	40.0
EDUCATION	Number of students enrolled in tertiary education	1.6
CORRUPTION	Percentage of companies with anti-bribery policies	98.0

Source: Main Street Partners and Stonehage Fleming as at August 2022.

NEW FOR 2022

- Provided more detailed breakdown of clients and assets.
- Introduction of Oxford Risk, a software tool that applies behavioural finance to a suitability profile of a client.

FUTURE GOALS

A more ambitious 'Four Pillars' survey in 2023, which will incorporate more families and clients, as well as having more in-depth qualitative interviews. This will aid us in better understanding our clients, whilst also sharing the insights to help our clients become better Stewards of their wealth.

PRINCIPLE 7: INTEGRATE, INVEST, FULFIL

Signatories systematically integrate stewardship and investment, including material environmental, social, and governance issues, and climate change, to fulfil their responsibilities.

STONEHAGE FLEMING INVESTMENT MANAGEMENT UK

Under Principle 1, we outlined how as a business, we integrate material environmental, social and governance issues into the fulfilment of our overarching responsibilities. Here, we provide more detail on how ESG factors are integrated within direct investments and when allocating capital externally.

Internal Expertise

Global Equity Management

The Global Equity Management team maintains a Core Universe of companies of circa. 150 companies from which it selects companies to own in its flagship strategy, Stonehage Fleming Global Best Ideas. It monitors all these ~150 companies for their ESG risks and issues. All companies are screened for their quality via 15 tests on topics such as liquidity, profitability and leverage. One of the 15 requirements/tests is to have a low ESG controversy score based on data by 3rd party ESG risk analysis by RepRisk. If a company that is already owned sees its score increase beyond a given level into higher-risk territory then the analyst responsible for that company will complete a specific research project on it focused entirely on ESG risks and issues.

Priorities & Pre-Investment

Before investing in any company, our detailed in-house research and due diligence process includes focus on our ESG and stewardship priorities, such as ESG risk analysis, looking in depth at a company's track record, ongoing risks, industry engagement, sustainability plans and commitments and importantly the level of management engagement and accountability for ESG. To aid our research process we use the services of an independent ESG risk assessment provider, RepRisk. They use independently sourced data to provide a risk-based ESG score and full detailed analysis and flagging of specific risks.

We can often monitor a company for several years before making an initial investment. During that period we may monitor it as fully we would if actually holding it to build our conviction in the investment case and the quality of the company.

Monitoring

All companies in the core universe are continually monitored and assessed for their ESG risks by our team of analysts. A core strength of our approach is our own in-house research capability that we rely on to form our opinions and to drive our investment decisions.
Our analysts allocate material research hours to assessing and engaging with companies on ESG topics when controversy levels increase.

In 2022, the GEM team launched a monthly Investment Committee Meeting that is exclusively focused on ESG topics, reporting into the SISC Committee. The ESG IC meeting focuses on two key areas:

1. The ESG risks of the underlying strategy holdings. In looking at the strategy holdings' ESG risk data, where an owned company's RepRisk score increases over 50, the analyst responsible for that company is required to produce a full ESG report which is then debated by the ESG IC. Where a risk is identified that is of material concern, then further engagement with the relevant company is required, usually in the form of written communication.
2. The Fund's ESG responsibilities and regulatory requirements, and adherence thereof.

RepRisk flagging risk issues with technology business

Detail:	In November 2022, one of the global technology businesses owned by the strategy, had a RepRisk ESG score above the 50 point threshold. The analyst responsible for the company subsequently completed a thorough research project into its ESG related risks. The results of this project were presented at the next ESG IC meeting, which flagged concerns on regulations and use of consumer data.
Outcome:	It was concluded that the risks concerned were not material enough for escalation currently, but ongoing monitoring will be performed with a view to escalating if risks increase

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STONEHAGE FLEMING STEWARDSHIP REPORT 2023

PRINCIPLE 7

The GEM team also consider ESG specific metrics such as greenhouse gas emissions, use of renewable energy and any ESG risks that are specific to an industry. Our long standing valuation framework has always incorporated into our discount rates the specific beta of a company relative to the MSCI to reflect the relative risk of an investment. We believe that in some cases the risks associated with ESG (either positive or negative) should be reflected in that discount rate. We use a discount rate adjustment factor which links to the company's RepRisk scores to quantify this in an objective way. We then discuss whether that discount rate adjustment is justified and whether the market would ever apply the penalty or premium on those grounds.

Within our core GBI fund, we actively encourage all of our invested companies to commit to the Paris Alignment Pledge and other international standards/targets, for example we monitor the percentage of our companies that have made commitments to the Climate Pledge, support the Task Force on Climate Related Financial Disclosures (TCFD) and are signatories to the UN Business Ambition for 1.5. We also encourage social progress and monitor our companies for their board diversity and pay equity.

	% of Global Best Ideas AUM
Full Paris Alignment Pledge	57%
Partial Paris Alignment Pledge	18%
Better than Paris Alignment	36%
UN Business Ambition for 1.5C Signatory	36%
Amazon Climate Pledge Signatory	18%
TCFD Supporter	29%

Source: Company disclosures, UN Business Ambition

Exit

We typically divest from a company for 3 reasons:

1. It becomes materially overvalued.
2. There is a structural/strategic change to the facts that led to our initial acquisition, which may include an increase in ESG risk.
3. We identify a superior quality company.

In reasons 1 and 3 the company most likely will remain in our Core Universe and could even be repurchased again. As such, we will continue to monitor and engage with it as we would any other name in the core universe.

Voting

The Global Equity Management team takes its voting responsibilities very seriously. We have developed our own voting policy document over several years, and update it annually after each voting season to reflect the developments in the investment community and governance best practice over the year. Our pre-vote research and analysis is supported via a subscription to an independent research of a proxy voting advisor. Since 2019 we have used Glass Lewis for this purpose who provide us with independent information on each vote proposed to support us in making our own informed decisions.

We are not bound to follow Glass Lewis' advice and often vote against them, where our own voting policy and/or research leads to a different view. We keep full records of all our voting activity, including Glass Lewis' recommendation and where we may differ. The data is published on our website. Glass Lewis' research also gives us access to summary research by Sustainalytics, Arabesque and BitSight from which we have access to additional data on our companies' ESG performance, ESG risks and Cyber Security risks.

Addressing Climate-related risks in our portfolios

A more prominent feature in our research over the recent past is a growing focus on the precise environmental footprint of each company and their efforts and success in improving on it. The level of available data differs by company and we are engaging more with our portfolio companies and potential portfolio candidates to encourage them to disclose more detail. Inevitably, the depth of our analysis is limited by the available data. We look forward to building this research out further, with more depth and breadth as industry reporting standards improve.

Where we have better data and information, we seek to analyse the legacy footprint (across all ESG factors including but not limited to carbon footprint and other climate change inducing pollutants) and form a view on how the company is approaching improving on this and their track record so far.

There are many industry providers who evaluate portfolios on the basis of different scoring methodologies. Our preference is to review multiple sources and then drill down at the stock level to understand what is driving a metric in a particular direction. There is currently no one-size fits all approach and we try to review ESG related scores with a sense of pragmatism rather than relying on a single headline number. We believe this is a better way to truly quantify the ESG related risk within the portfolio.

In 2022, we subscribed to ISS ESG's data for reporting on the Principal Adverse Impacts (as defined by the EU SFDR). Using this reporting capability we now have access to independently sourced data on key environmental and social risk factors and will be able to monitor their change over time going forward.

PRINCIPLE 7

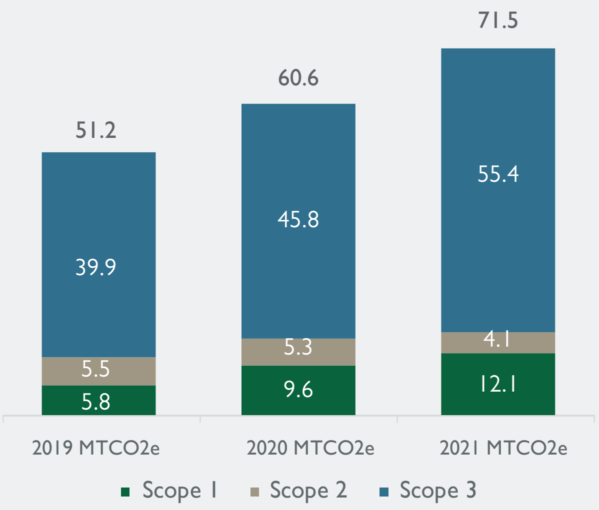
Amazon

Amazon is a good example, where there is a high level of detail provided by the company and we are able to do a relatively comprehensive analysis. Our research looks at high level, third party ratings of the company (provided by Bloomberg, Morningstar and our ESG research provider, RepRisk) in the first instance. This helps summarise the company's position and highlights strengths and weaknesses.

Our analysis proceeds to drill down into the metrics supplied by the company. In the case of Amazon, we are provided with Carbon Emissions data (scope 1-3), the intensity rate over the last 3 years and the percentage of renewable energy used across the company. With growing companies it is natural for the footprint to grow, what is important is that they are able to reduce that intensity rate to limit the growth of the emissions footprint as far as possible.

Source: Amazon, 2022 published Sustainability report

Where the company has provided future targets, we would summarise them and form a view as to their ambition and likelihood of success. In the case of Amazon there is a long list of targets across all of E, S and G.



02
EXAMPLE

STONEHAGE FLEMING STEWARDSHIP REPORT 2023

Direct Fixed Income

Our fixed income team do not typically apply explicit exclusions within models or client accounts. As these portfolios are bespoke, they are led by the client's stated preferences. If there are no explicit preferences, then the full investable universe of high-credit quality issuers is considered.

While there are no explicit constraints, the team believes that companies that exhibit good ESG credentials are more likely to have also addressed risks that can potentially impact them financially. ESG related factors are becoming an increasingly important factor influencing an issuer's credit spread and overall risk profile.

One development for 2022 was more formally incorporating the ESG screens available from various vendors, particularly Bloomberg (others include Sustainalytics, MSCI, S&P, ISS, CDP), and use this as an input into the security selection process. This was previously done less formally and not incorporated into our process documentation. Our change to make this more formal partly reflects the improvement in data quality (see ESG breakdown for healthcare company Abbvie below). Inputs such as the E, S and G scores trending over time versus history and peers can now be used an input into the process of security selection.

Abbvie Bond	Score	Score vs Peers
Environmental	6.23	Leading
Energy Management	6.24	Leading
Waste Management	6.22	Leading
Social	3.51	Leading
Access & Affordability	3.00	Leading
Product Quality Management	4.42	Leading
Marketing & Labelling	2.14	Above Average
Ethics and Compliance	2.61	Above Average
Social Supply Chain Management	3.00	Above Average
Labour & Employment Practices	7.38	Leading
Governance	6.90	Leading
Board Composition	6.63	Above Average
Executive Compensation	8.58	Leading
Shareholder Rights	4.70	Below Average
Audit	8.97	Above Average

Source Bloomberg, March 2023.

PRINCIPLE 7

EXTERNAL EXPERTISE

Third Party Manager Selection

ESG and stewardship considerations are fully integrated into SFIM UK's third party fund selection process across asset classes. It is important to note though that we do not have any segregated accounts today where we have specified the mandate to the manager; instead we allocate to third-party funds where the mandate is already defined – this means that we are unable to dictate the manager's approach to ESG, but we can be selective in who we choose to partner with and engage with them along the way

Priorities & Pre-Investment

The key issues we have prioritised as part of integrating ESG into the third party fund section process:

- Superior grasp of ESG risks. Partnering with managers who analyse their companies in greater depth than most peers and hence have a better grasp of whether they are being compensated for ESG risks
- Appropriate level of ESG integration. The degree of ESG integration should be aligned with the investment philosophy of the strategy
- Good stewardship credentials. Managers take their voting responsibilities seriously, engage where appropriate, and act in the best interests of investors
- High quality firm. Whilst most importance is placed on the credentials of the strategy, it is also critical for the firm itself to have reasonable stewardship credentials and operational infrastructure
- Portfolio level awareness of ESG aggregate risks. As shown in Principles 4 and 5, we have a good level of detail on total portfolio ESG risks which helps us to understand total risk, the contributors to it, and can lead to adjustments if we are uncomfortable with current risk exposures

STONEHAGE FLEMING STEWARDSHIP REPORT 2023

In order to evaluate a third party strategy against the issues of importance to us, detailed research reports and meeting notes are kept. Within the research reports, there are dedicated sections on ESG across all asset classes. Within these reports, we detail and cover the first four priority points covered above. To provide a few examples on our approach and the level of detail we go into:

- In assessing an equity manager's voting credentials, we will go through the voting history to understand whether they vote on all resolutions, how often they vote against management, and challenge where a voting decision surprises us.
- To understand a strategy's research capabilities and investment process (of which ESG forms part), we will typically meet with the fund manager on a number of occasions and other analysts that work on the strategy (investment and often ESG if separate).
- To better understand the manager and/or the firm including stewardship credentials, we will often triangulate our work by getting references from other investors or past members of the team/firm.
- Using third party software tools, such as Inalytics, to assess the trading behaviour of a manager. This acts as useful supplementary evidence as to whether a manager's stated investment approach is corroborated by underlying data.

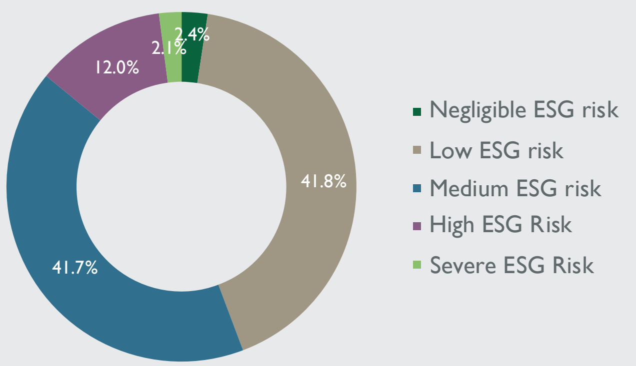
PRINCIPLE 7

Monitoring

Whilst there is a lot of upfront work in establishing whether a third party strategy is a good fit, there continues to be a high level of engagement on an ongoing basis. We typically meet with managers twice per year, although in some cases it will be more, and we continually challenge those areas of priority to us. In addition to these meetings, we use a number of quantitative tools (Bloomberg, Morningstar, Inalytics) to continually assess the manager's skill set as well as the underlying ESG risk exposures that come through Sustainalytics. Statistics such as voting data continue to be collected for our funds and we also receive the responsible investments reports from managers who produce these.

We have already shared some of the ESG data that we monitor in Principle 6, but we also show some additional data below which allows us to understand the distribution of ESG risk scores across our portfolios and track these over time. We don't aim to avoid all of these risks, but they can act as subjects of engagement with underlying managers and within our investment team.

ESG RISK DISTRIBUTION



Source: Morningstar, February 2023. Core Investment Portfolio reflects data for the equity positioning within TM Stonehage Fleming Global Balanced Fund.

Exiting

Our investment philosophy typically leads us to partner with managers for many years, but there will be occasions where we decide to disinvest from a strategy. There are a number of reasons why we might decide this is in the best interests of clients, including a drop in the conviction of the existing strategy or a superior investment opportunity. One of our disinvestments from 2022 was a result of a manager failing the stewardship credentials tests, despite engagement on this subject over many years, and is described overleaf.

Disinvesting from a US strategy

During 2022, we disinvested from a US long-only strategy we first invested in during 2017. When we first invested in the strategy, a lot of upfront work was done on the structure of the performance fee for the Fund. We acknowledge it is notoriously difficult to attribute completely accurate performance per investor within long-only equity Funds with a large investor base. However, we gained comfort from some bespoke analysis the manager produced on how it might work in a range of scenarios.

During the past 5 years, there have been a number of volatile periods in markets which highlighted significant weaknesses in the performance fee structure, with the results being vastly different to the range of scenarios provided by the manager, and leading to significant inequality in the treatment of investors.

Since 2019, we have regularly engaged with the manager on making adjustments to the performance fee structure to avoid the situation of certain clients being disadvantaged – this would be to the benefit of not just our investors but all others within the strategy. Despite this being ultimately escalated to the CEO, the business decision was to make no changes as it could have meant a reduction in aggregate performance fees.

Despite a good 2 years of performance prior to us disinvesting, we felt that two of our priorities, good stewardship credentials and a high quality firm, were increasingly compromised. Hence, we took the decision to disinvest.

03
EXAMPLE

NEW FOR 2022:

- The GEM team launched a monthly Investment Committee Meeting that is exclusively focused on ESG topics.
- Our GEM team subscribed to ISS ESG's data for reporting on the Principal Adverse Impacts (as defined by the EU SFDR). Using this reporting capability, they now have access to independently sourced data on key environmental and social risk factors and will be able to monitor their change over time going forward.
- Within Fixed Income, formally incorporating the ESG screens available from various vendors, particularly Bloomberg (others include Sustainalytics, MSCI, S&P, ISS, CDP), and use this as an input into the security selection process. This is now reflected in process documentation.

STONEHAGE FLEMING STEWARDSHIP REPORT 2023

PRINCIPLE 8: MONITOR, HOLD TO ACCOUNT

Signatories monitor and hold to account managers and/or service providers.

SFIM UK SERVICE PROVIDERS

SFIM UK has an established network of external service providers that complements the work that we do in-house. In each case, there is a robust governance structure built around the due diligence and monitoring of the service provider, which is dependent on the services provided. For instance, monitoring of brokers and custodians is overseen by the Risk and Controls Committee, whilst the monitoring of our third party fund managers is overseen by a combination of the Investment Committee and the Fund and Securities Selection Committee. Further information on governance structures can be found in Principle 2.

Internal Expertise

Our primary service providers that support stewardship for direct investments are our research and data providers. Monitoring and selection of these providers are formally conducted at least annually, but in practice it is a continuous exercise, and we may look to make changes during the period. In addition to monitoring the quality of the data or research and the timeliness of it, we will also meet with the service providers to understand the latest developments, give feedback and talk through any areas for improvement.

Proxy Vote Provider Review

In 2022, we completed an audit of our proxy vote research providers in accordance with the requirements of our SEC license. We repeat this audit on a biannual basis and will consider the current provider alongside alternatives at the same time to ensure the provider is meeting voting our objectives.

The audit review process includes:

- Review of providers:
  - Code of ethics.
  - Best practice principles, statement of compliance.
  - Conflicts of interest policy.
- Completion and review of due diligence report in accordance with SEC recommendations.

Outcome: in completing the audit we held a virtual call with Glass Lewis, in which we expressed the concern that some of their recommendations were politically biased. We had observed a pattern of recommendations to vote in favour of shareholder proposals supporting left wing political views and against right wing political views. In one instance, they recommended abstaining on a vote for an Independent Chair of the Board because it was proposed by a group supporting the US Republican Party. Whilst we do not incorporate political preferences in our decision making, we do believe our service providers should be impartial.

Whilst Glass Lewis rejected our claim, and we are free to exercise our vote at our discretion, we have notified our analysts to be vigilant for such recommendations in 2023.

01
EXAMPLE

PRINCIPLE 8

External Expertise

The majority of our client's capital is allocated to third party managers, who we view as our primary service providers. We pride ourselves on the level of detailed research we conduct on these managers at the initial due diligence stage and through ongoing monitoring – we feel that evaluating these service providers is part of the DNA of the business and integral to our investment process.

In line with Principle 7, we meet with our managers on a regular basis, analyse their decision making through third party tools, directly receive and evaluate their voting data, and pull in vast underlying data on ESG exposures. With all this data, we are in a strong position to challenge managers, such as in the example below.

Asia Income manager voting records

Going through the 2022 voting data for one of our Asia Income managers, we queried why an AGM vote was missed for a South Korea holding, and whether they had followed up with one of the companies they invest in after voting against a director compensation policy.

In the case of the missed vote, the holding had been sold prior to the vote and they took the decision not to vote. In the case of director compensation, the manager hadn't actually followed up with the company to explain why they voted against, which we view as less impactful. Upon engaging with the manager on this matter, they noted they had added an additional hire to lead ESG and expect to be able to raise more issues directly with the company as a result. We will continue to track the progress on voting and engagement for this manager.

02
EXAMPLE

In addition to looking into a manager's approach to stewardship, we also like to see the firm working with various organisations to improve their credentials (PRI, Stewardship Code and others). We have already touched on an example in Principle 4, where we have continued to engage with all of our managers in 2022 across asset classes to encourage them to become PRI signatories – the results have been pleasing with the most noticeable increase in Private Capital with the ratio increasing from 56% to 75% in the space of a year.

STONEHAGE FLEMING STEWARDSHIP REPORT 2023

Third party investment tools used to assist us with manager selection are closely monitored for data quality and potential areas for improvement. Data quality is particularly important in this area as output informs us on the skill of the investment manager, and inaccurate data may point to a manager being unfairly penalised or praised. Feedback is provided in meetings with the provider or communicated between meetings. We had various engagements with service providers during 2022 which are shown below.

Attribution software engagement

We have subscribed to a third party attribution software tool since 2010, which assists us in forming a view on manager skill. We are active in engaging with the provider on tidying up data and seeking improvements.

In January 2022, we raised a number of issues, including inconsistencies in dates of when portfolios are updated. In July, we pointed out some data quality issues with the legacy positions. Towards, the end of the year we engaged them for some improvements on how the recycling of capital statistics could be improved.

In addition to this, we met with other service providers in this area to consider potential substitutions. We concluded that our existing service provider still offers a superior platform, but we believe regularly assessing peers is best practice.

03
EXAMPLE

Morningstar engagement

Morningstar is a tool we use to run manager searches, analyse ESG data, and run attribution. We raised several instances of data quality issues during 2022, which included incorrect security identifiers and incorrect attribution.
We have also asked the firm to consider making some changes in terms of shortcomings in the attribution system and to consider increasing the lag on some manager holdings data to increase the number of firms comfortable to join the platform.

04
EXAMPLE

PRINCIPLE 9: MAINTAIN, ENHANCE
PRINCIPLE 10: PARTICIPATE, COLLABORATE
PRINCIPLE 11: ESCALATE, INFLUENCE

9: Signatories engage with issuers to maintain or enhance the value of assets.

10: Signatories, where necessary, participate in collaborative engagement to influence issuers.

11: Signatories, where necessary, escalate stewardship activities to influence issuers

All of our investment strategies actively engage with issuers to maintain and enhance the value of the assets we hold on behalf of our clients; this is predominantly done independently from other investors, but we will collaborate on select items or expect our managers to collaborate on our behalf. We also view the escalation of stewardship activities and influencing issuers in this regard as integrated into the maintenance and enhancement of value. We, therefore, address Principle 9, Principle 10 and Principle 11 on a combined basis.

INTERNAL EXPERTISE

Global Equity Management

Engagement

The Global Equity Management team proactively engages with company management, as described above and more fully in our Engagement and Voting Policy Document.

Engagement is integrated into the investment process as part of the initial due diligence and through ongoing monitoring of an investment. In our detailed investment research reports, we consider (amongst many other things) the most salient investment topics, strategies, risks and uncertainties and in so doing identify key questions and topics requiring further engagement with management.

We will engage with companies when seeking information to build our conviction in our investment case. Whilst Engagement is not a mandatory pre-requisite for investment it is common for us to monitor a company for many years before making an initial investment, during which multiple engagement events may occur.

Having initiated an investment in a company we actively vote at AGMs and EGMs in a way that best protects the long-term investment returns of our clients and is consistent with our values. We have not historically disclosed our voting intentions to Management or other shareholders in advance of a vote, though we are not restricted from doing so.

Presentations at Capital Market Days are a useful way to gain insight to company strategy and operations, and provide opportunities to engage with cross-company management not normally made available to investors. We join and participate in our companies' Capital Markets days.

Engagement and Escalation

The escalation policy below can be executed before or after a shareholder vote, or far from the AGM in a fiscal year. We can of course also sell our holding in a company at any time, noting that greater losses may be incurred by delaying an exit decision simply due to this policy. Our escalation steps are as follows:

1. Communicate with IR via email, phone or meeting.
2. Communicate with Senior Management via email, phone or meeting.
3. Communicate with appropriate Board member via letter, email, phone or meeting.
   - Financial/Strategic = Chair of relevant committee.
   - ESG = Chief Sustainability Officer or Board member responsible for ESG.
4. Communicate with Chair of Board or Lead Director if Chair is not independent.
5. Collaborate with other shareholders on topic and communicate to Board.
6. Consider raising external awareness in media.

We recognise the power of engaging with management in advance of a dissenting vote. Going forward, and especially on matters of governance best practice we will consider writing to the Board to explain the rationale of our voting decision.

SFIM Engagement & Escalation: Japanese technology company.

Background	During 2022, we initiated an investment in a Japanese technology company. The company only reported its results in Japanese, with English translations not made available for several days after initial release. In addition, the company only interacted with shareholders in Japanese, and did not make any active attempt to engage with non-Japanese investors. This is all despite the fact that 52% of its shareholders are not based in Japan (27% in USA and 7% in UK). The GEM team felt this lack of translation results in non-Japanese shareholders being discriminated against and disadvantaged, and believed that as the company became increasingly international (59% of sales are outside of Japan) that overall governance would be improved if communications to shareholders were provided by the company simultaneously in Japanese and English. It was also felt that the company's Investor Relations department should be more accommodating to non-Japanese investors.
Engagement	We initially tried to contact to the company's Investor Relations department via a letter expressing the above view, and eventually managed to arrange a call where we provided translators, not the company, to discuss the matter further.
Outcome	The company told us it would explore publication of shareholder communications in English as we requested with the informal objective of doing so from 2H 2023. Since, we had this response from the company, we have subsequently had the latest results published in English.

01 EXAMPLE

PRINCIPLE 9, 10 & 11

SFIM Engagement: US Media Business

Background:	A US domiciled media company had a poor record on investor engagement. Historical attempts at engagement by us were rarely successful.
Engagement:	In 2022 we initiated the use of an independent, London based corporate access provider focused on US companies with market leading services for UK based investors (Atlantic Equity). The purpose was to improve our access to and engagement with companies that previously did not actively engage with us, whether due to size, location, or other factors. When the media company in question appointed a new head of IR, and being aware of our past challenges, the provider arranged for an online introductory meeting with the new appointment.
Outcome:	During the meeting the company recognised that it had not done a good enough job in the past on engagement with its investor base and that it would be more open an accessible to investors (including those in the UK) going forward.

02 EXAMPLE

Engagement & Escalation Example: European health care company

Background:	The company today is the formation of a merger between a French health care company and an Italian consumer discretionary company. Whilst the merger promised to be one of equals, in reality the Italian company took full control as its founder controlled ~30% of the combined equity. After the death of the founder last year his shares passed on to his family members, but were still held within a single corporate entity that retained effective control of the company. The founder's nominated successor was appointed as the company's sole CEO and Chairman, and was also made Chairman of the largest shareholding company with the 30% stake.
Engagement:	This concentration of control within one individual goes against our policy on corporate governance best practice. We initially raised our concerns with the company IR, who provided an unsatisfactory response that the situation was OK in the opinion of the Board, which is itself dominated by appointees of the largest shareholder.
Outcome:	As a result of the unsatisfactory outcome from our interaction with the IR, we have taken the next step in our escalation process and written to the Board to express dissatisfaction with the concentration of control. We have also debated at our investment committee level the continued holding of the company given the governance challenges.

03 EXAMPLE

STONEHAGE FLEMING STEWARDSHIP REPORT 2023

Collaboration

One of the areas that we noted in last year's Stewardship report as room for improvement was the extent of collaborative engagement. We recognise that collaborative engagement in some instances can be more impactful and lead to better outcomes.

One of the developments in 2022 was to enter an agreement with Atlantic Equities who facilitate corporate access to leading US companies. Through Atlantic we have been able to engage with many of our US investments, along with their other clients, attending Group and 1:1 meetings with Senior Management and Investor Relations departments. This has granted us access to companies that we previously struggled to engage with and provided an additional access point for more collaborative engagement.

SFIM Collaborative engagement: US tech company

Background	In 2022 one of the GBI holdings announced an expensive acquisition that resulted in a one-day decline of 17% in the stock price. The public investor call did not provide any reassurances to investors. We were contemplating selling our position in the company.
Engagement	Atlantic Equities arranged a Group conference call with the CFO at which investors were able to express their frustration with the price paid for the acquisition and the existing competitive position and strategy of the company. We participated in this collaborative engagement with the company.
Outcome	The company vastly improved its shareholder communication on the transaction, presenting its management to shareholders and providing projections and a strategic rationale that made the transaction more palatable. As a consequence we did not sell the position and its share prices has since recovered by >30%.

04 EXAMPLE

PRINCIPLE 9, 10 & 11

Engagement Data

Since the end of 2020, we have provided an annual report ('Voting and Engagement Record YYYY') for Stonehage Fleming Global Best Ideas Fund on our website on engagement that details our engagement activities, alongside disclosure on our Proxy Votes. This includes:

- A description of voting behaviour.
- Data on our voting activity in the year.
- An explanation of the most significant votes.
- The use of the services of proxy advisors.
- A description of how we have cast votes in the general meetings of companies.

We provide a 2022 engagement summary below for our flagship strategy run by the GEM team:

Number of companies owned during the reporting period	31
Number of engagements with Fund holdings excluding AGM and EGM votes	27
Total number of all company engagements by Fund team	45
Number of AGM's voted	27 AGMs, 0 EGMs
3rd Parties providing engagement on our behalf	Glass Lewis
Number of AGM's not voted (where eligible)	1 – Nestle
Reasons for not voting:	Prohibitive Swiss rules on custody of holding during vote
Number of companies owned with no vote entitlement	1 - Alphabet Whilst our shareholding in Alphabet has no vote entitlement we still review and appraise each company and shareholder vote and the overall governance quality of the company

Number of Company organised Investor/Capital Market day's attended	6
Number of broker-hosted Company group meetings attended (% with Senior Management in attendance)	22 (36%)
Number of direct meetings with Company Investor Relations	9
Number of direct meetings with Company Board Members	0
Number of direct meetings with Company Board Members	0
Number of direct meetings with Company Executives	4
Number of formal communications to Companies (letter or email)	4

Source :Stonehage Fleming Global Best Ideas Equity Fund Voting & Engagement Record 2022

Direct Fixed Income Team

Due to the nature of the credits selected (high credit quality large liquid issuers) and our trading volumes (we are small scale investors in comparison to the outstanding volumes of debt issued by these companies, typically trading a few hundred thousand lot sizes vs issue sizes in the hundreds of millions), there is very limited scope for engagement. However, in the highly unlikely event of a corporate failure, we would seek to exercise our rights to the fullest extent available to us.

SFIM is cognisant of limited engagement today within Fixed Income and it remains an area that we wish to develop further, as opportunities to do so evolve.

PRINCIPLE 9, 10 & 11

EXTERNAL EXPERTISE

Third-Party Manager Selection

Engagement

As investors with the majority of our capital allocated to third party fund managers, we place particular emphasis on the stewardship and ESG credentials of the fund managers we invest in. We aren't able to dictate the engagement policies of our managers given we invest in pooled fund vehicles with many other investors; however, engagement is still very much present as part of our investment process. We address the issue of engagement in several ways:

- Invest in fund managers who take their engagement responsibilities seriously and then continue to monitor their approach to engagement on an ongoing basis.
- Vote on fund resolutions to ensure that areas like director and auditor appointment are in order amongst other ad-hoc resolutions.
- Engage with senior management at the various fund houses to ensure that the business is going in the right direction on areas such as ESG and engagement.

Engagement for allocations to third party funds therefore have two distinct sources: the engagement that third party managers perform on our behalf; and our engagement with the third party strategies including the manager, firm and board. We believe both of these are important and keep an engagement log to cover our engagement activities, as well as reviewing engagement documentation provided by third party managers

Engagement and Escalation

Escalation forms a key part of the engagement process for many of the fund managers we allocate capital to – this is particularly the case for our public equity third party managers. As already outlined in Principle 7, the engagement activities of managers and broader ESG credentials are assessed as part of the initial due diligence process, and this becomes an input into the decision making process when considering a new manager.

We review the engagement activities when published by underlying third party managers, which include those engagements requiring escalation (examples provided at end of section). In addition to escalations undertaken by the manager, we will also escalate activities when unsatisfied with the actions taken or behavior of our third party managers. One example has already been provided in Principle 7 of a position exited after escalation with one of our US third party managers. We provide further details at the end of this section on engagement requiring escalation.

Collaboration

As investors in pooled vehicles, collaborative engagement is undertaken by third party managers on our behalf. We will review manager's engagement activities, including collaborative ones, and these can form discussion points during our meetings with the managers. As strong stewardship credentials is one of the inputs into the manager selection process, it is our expectation that our managers have good practice in this area, and this is evidenced by examples at the end of this section.

STONEHAGE FLEMING STEWARDSHIP REPORT 2023

Stewardship Council for ACT

City Hive is an advocacy group working in partnership with companies to build an inclusive Investment Management Industry and an equitable and sustainable society. Mona Shah, head of Sustainability at SFIM, and a number of fund selectors, joined with City Hive to establish the Stewardship Council of ACT. Mona continues her work to collaborate with other fund selectors to engage with the industry on diversity.

SFIM Engagement & Escalation Example – Asset Manager (Equity, Fixed Income)

Background:	During 2022, we voted against all director appointments for several funds which are managed by the same asset management company. We had engaged with the asset manager during the year on how they ensure directors have enough time to undertake their responsibilities. The response from the manager was initially that they don't track the number of directorships and weren't prepared to share the information they do have.
Engagement:	We escalated the matter with the asset manager and expressed our displeasure that the transparency and approach was far from best practice. It was then passed on to the Fund Board Governance group for the asset manager.
Outcome:	The asset manager updated their Corporate Governance Statement (CGS) to include details on where public entity directorships are disclosed. They also acknowledged the concept of "overboarding" and confirmed they are evaluating the commitment of each Director on an annual basis. We are pleased with the improved transparency and clarification of oversight.

05
EXAMPLE

PRINCIPLE 9, 10 & 11

SFIM Engagement & Escalation Example – Custody Platforms (Equity, Fixed Income, Alternatives)

Background:	For investors who allocate to pooled third party fund vehicles through a widely used sub-custodian, a block is placed on trading a security for a period when a vote is cast during an EGM/AGM. This represents a particular challenge to fulfilling stewardship activities in these instances as clients may have unexpected liquidity needs or there could be an immediate governance issue with the manager being held, and in both cases there would be a desire to sell in the short-term.
Engagement:	We have raised this issue with custodial platforms we use as we don't believe there should be more restrictions placed on funds versus direct securities, with the latter not subject to trading blocks. We have received responses back, which were unsatisfactory so we have escalated this matter within the firm. We are also using our network to organise a meeting with a clearing house which is also connected to this matter.
Outcome:	This is an ongoing matter and we will look to provide further details on this in next year's stewardship report.

06 EXAMPLE

SFIM Engagement & Escalation Example – Private Capital Manager

Background:	In 2022, we were notified by one of our private capital managers that the term of the partnership in which we were invested was nearing its expiration date in November 2022. The term of this particular fund had already been extended in line with the terms within the Limited Partnership Agreement; however, the manager now needed investor consent for a further extension.
Engagement:	We requested a call with the manager to discuss the rationale for the additional extension. The manager explained that there were two portfolio companies remaining in the fund and the market conditions meant that the exit environment was not conducive to a successful realisation at that time. We asked the manager to explain the planned exit processes and the potential impact to the performance outcome if a decision to exit was postponed. We also asked that the manager confirm that they would be abolishing all future management fees for the duration of the fund's life.
Outcome:	The manager provided the plan for realisation and the expected benefit to investors of extending the life of the fund and postponing the portfolio company exits. The manager also confirmed that all management fees would be waived for the remainder of the fund's life. After reviewing the proposal, we voted in favour to extend the life of the fund.

07 EXAMPLE

SFIM Engagement Example – Global Income Manager (Equity)

Background:	Diversity and Inclusion is one of the key areas that we are looking to do more on as a business and challenge our third party managers to do so as well. In 2022, we engaged with a manager on the subject of a lack of board gender diversity.
Engagement:	SFIM wrote to the asset manager in question and queried why all of the directors of the Fund Company were male.
Outcome:	Our engagement was acknowledged and the fund manager has stated they are unlikely to do anything about this until there is a re-election cycle. We will continue to monitor progress here into 2023.

08 EXAMPLE

SFIM Engagement Example – US Manager (Equity)

Background:	During 2022, it was noted that one of the pooled funds we invest in has a board that contains only one director labelled as independent with the rest working at the US asset manager. The one independent director provides legal services to the firm.
Engagement:	We wrote to the manager querying the board structure and expressing our preference for a more independent board.
Outcome:	The asset manager acknowledged our email and confirmed they didn't have any plans to change this for now. We have significantly reduced our investments in the Fund during the year, which was the result of a combination of factors, but one of the inputs was governance credentials.

09 EXAMPLE

STONEHAGE FLEMING STEWARDSHIP REPORT 2023

PRINCIPLE 9, 10 & 11

Third Party Engagement Example - Veritas Asia (Equity)

Background:	One of our Asia managers, Veritas Asia, expect all companies where possible to have Net Zero targets and for these to be science-based. They actively engage with companies to submit their environmental impact especially with regards to climate change, water security and deforestation to the CDP (Climate Disclosure Project) and based on their score from the CDP, manage those risks appropriately. This engagement focuses on Goodman, an Australian commercial and industrial property company that owns, develops, and manages real estate and has been held in the Veritas Asian strategy since September 2019.
Engagement:	Veritas's research noted Goodman Group had not submitted a 2021 CDP submission and they do not have science-based targets approved by SBTi. In 2022, they engaged with the company to better understand the reasons they had not addressed the key items that Veritas are monitoring.
Outcome:	Since engaging on those topics, Veritas have seen Goodman produce a report aligned to the TCFD guideline and release their first TCFD statement. Although they haven't submitted to the CDP, they do report to the Global Real Estate Sustainability Benchmark which is relevant to their business sector.

10 EXAMPLE

Third Party Engagement Example – Fidelity Emerging Markets (Equity)

Background:	Fidelity Emerging Markets strategy hold a position in First Quantum Minerals, which is a copper miner in Zambia and Panama.
Engagement:	Fidelity had multiple ESG focused engagements over the course of 2022 with the company. The topics discussed included the company's policies on biodiversity, waste management, water usage, carbon emissions (including coal exposure) and community management. One area of concern was the company's Sese coal fired power project in Botswana.
Outcome:	In Fidelity's engagements towards the latter end of the year, the company confirmed that this Sese coal fired power project is going to be closed - four units are already closed and the last one will be closed by end 2023. The company also provided details of its energy transition plan, which is to have a reduction in scope 1 & 2 emissions of 30% by 2025 and a 50% reduction by 2030.

11 EXAMPLE

Third Party Engagement Example – Comgest Japan (Equity)

Background:	Shin-Etsu, a chemicals business, is the largest carbon emitter in the Comgest Japan portfolio, thus is a priority target for engagement on CO2 footprint reduction. Comgest's objective is to encourage the company to sign up to the SBTi (Science Based Target initiative) and to commit to a Net Zero objective.
Engagement:	Comgest engaged with the company (IR) in 2021 and then escalated their engagement with the company in 2022 to discuss the matter with senior management. In particular, Comgest wanted more detail on the company's claim that they would announce their carbon neutral plan in the near future. The company walked them through the challenges involved in achieving net-zero and the process it is conducting to consult its engineers, study solutions and devise a plan that will indeed be actionable and realistic. Comgest reiterated their preference for them to sign up to SBTi.
Outcome:	Since Comgest first engaged with the company on the SBT topic, Shin-Etsu has shown slow but positive signs of progress by working on the engagement topic carefully over the past 12 months. Comgest believe the time taken by the company is because it is taking the issue seriously and that they are now at the final stage of formally addressing SBT.

12 EXAMPLE

Third Party Engagement Example – PIMCO Income (Fixed Income)

Background:	PIMCO holds bonds of American Tower, a US REIT, with greenhouse gas emissions, human capital management, human and labour rights, and health and safety being key issues which PIMCO monitors for this issuer.
Engagement:	During 2022, PIMCO met with the head of Investor Relations, Chief Strategy Officer and head of Sustainability, focusing on oversight and management of third party vendors along with the issuer's emissions reduction targets. PIMCO suggested improving oversight and disclosures, whilst being pleased that the issuer's carbon emission reduction targets were recently verified by the SBTi.
Outcome:	Issuer plans to expand the scope of operations covered by the carbon emissions reduction target verified by the SBTi and PIMCO will continue to monitor their oversight and disclosures.

13 EXAMPLE

PRINCIPLE 9, 10 & 11

Collaborative Engagement Example – Comgest Japan (Equity)

Background:	Daifuku, an Industrials business, did not complete the CDP Water security questionnaire in 2021 and the company is identified as a "very high priority" target by CDP for the Water security questionnaire.
Engagement:	Held meetings with the company in March 2022 on the lack of CDP disclosure. In May 2022, during CDP's 2022 Non-Disclosure Campaign, Comgest as a lead investor sent a collaborative engagement letter to Daifuku to request submission of CDP's water security questionnaire.
Outcome:	The engagement was a success. Daifuku subsequently submitted its answers to the 2022 CDP questionnaire on Water Security.

14 EXAMPLE

Collaborative Engagement Example – Findlay Park (Equity)

Background:	Berkshire Hathaway, a US conglomerate, is one of the investments held by Findlay Park. The company has previously provided little guidance or objectives on climate change.
Engagement:	In 2021, Findlay Park became a lead investor in engaging with Berkshire Hathaway for greater climate related disclosure, as part of the CDP's non-disclosure campaign. Findlay Park received a response noting the importance of climate change for various underlying businesses, but did not commit to firm wide climate change reporting. In 2022, Findlay Park built on this and acted as the lead investor again and specifically asked to engage with the firm's Sustainability Leadership Council.
Outcome:	Findlay Park are yet to receive a response to their second engagement (in 2022). They hope to engage again with the firm on this issue in 2023. Findlay Park note that collaborative engagement in the US is complicated as there have been question marks around the legality of formal collaborative engagement in the US.

15 EXAMPLE

STONEHAGE FLEMING STEWARDSHIP REPORT 2023

Collaborative Engagement Example – PIMCO Income (Fixed Income)

Background:	A diversified beverage manufacturer and distributor in the US, Keurig Dr. Pepper (KDP) was assessed by the Global Access to Nutrition Index for the first time in 2021.
Engagement:	As part of the Access to Nutrition Initiative (ATNI), a collaborative initiative with other investors, PIMCO engaged with KDP in 2022 on their approach to defining healthy products, setting measurable nutrient targets, practicing responsible marketing, and lobbying. PIMCO encouraged KDP to align current practices with industry guidelines on nutrient profiling, responsible lobbying, and ESG disclosure.
Outcome:	KDP is reviewing its work on lobbying policy, affordability, and responsible marketing with the aim of improved data disclosure in the next few years. PIMCO will continue to engage the company as part of the ATNI collaborative effort as well as on other ESG topics.

16 EXAMPLE

PRINCIPLE 12: ACTIVATE, RESPONSIBILITY

Signatories actively exercise their rights and responsibilities.

INTERNAL EXPERTISE

Direct Equity

Our Global Equity Management Team actively exercise their right to vote in all Proxy Votes where they have the discretion to do so and where there is nothing to prohibit them doing so. The team makes its own informed decisions on how to vote. We may use the information provided by proxy advisors, such as Glass Lewis, but will not necessarily follow their recommendations. We have also developed in-house voting policies at the product level.

We vote in all our equity Funds as default and discuss voting preferences directly with our segregated clients. Where a segregated client may opt-out of voting is where there is an associated cost with voting on a client's custody platform. We vote the same for all clients unless a conflict of interest exists (see Principle 3), or in the event that a client wishes to direct voting (not the case for any clients today). We do not participate in stock lending.

Our Global Operations Team are responsible for ensuring that all potential votes are captured, so the team don't miss a potential voting opportunity, whether it be a fund vehicle or a segregated account. The team pass on vote notifications directly to the Global Equity Management team who will then advise on the appropriate voting response. They maintain a shared database of voting data into which voting data and recommendations are captured.

A description of how we vote is detailed in our Engagement and Voting Policy document. Since the end of 2020, details of the Proxy Voting activities for the team's flagship fund, GBI, have been produced annually and can be found on our website. Since 2022 we have also provided the same data for 3 other UK based Funds .

Our voting statistics for the period are shown below. It should be noted that the 6% which wasn't voted on was for a single Swiss company. In order to vote on this security, there would be a period where we wouldn't be able to trade the security. We believe it is in the best interests of clients to retain this flexibility, even though there is some value loss in not voting. 100% of the resolutions were voted on for securities that do not have a trade block.

Voting Statistics for the Reporting Period

Number of meetings we were eligible to vote at	27 AGMs and 0 EGMs
Number of resolutions we were eligible to vote on	420
% of resolutions we voted on for which we were eligible	94%
Of the resolutions on which we voted, the % we voted with management	95%
Of the resolutions on which we voted, % we voted against management	5%
Of the resolutions on which we voted, % we abstained from voting	0%
% of meetings where we voted at least once against management	30%
% of resolutions where we voted against the recommendation of our proxy adviser	9%
% of votes in line with result	94%
% of votes on Governance (and % supported)	11% (78%)
% of votes on environmental and social issues (and % supported)	7% (23%)

Source: https://cdn.io.stonehagefleming.com/craft-cms/investmentManagement/2021-Voting-Engagement-Record.pdf

PRINCIPLE 12

We also provide a brief outcome summary of most controversial votes in our formal voting disclosure document, as shown below, as well as one detailed example.

	VOTE 1	VOTE 2	VOTE 3	VOTE 4	VOTE 5	VOTE 6
Company name	LVMH	PepsiCo	Edwards Lifesciences	EssilorLuxottica	Amazon	Microsoft
Date of vote	21 Apr 2022	02 May 2022	03 May 2022	25 May 022	25 May 2022	13 Dec 2022
Size of holding on vote date (as % of portfolio)	4.3%	1.9%	1.7%	4.7%	3.9%	5.8%
Summary of the resolution	Multiple votes on remuneration	Shareholder proposal for independent Chair	Election of Board nominee who reduced share-holder legal rights	Multiple votes on remuneration	Multiple votes against Proxy Advisor advice	Shareholder proposal Government use of technology
Management recommendation	For	Against	For	For	Against	Against
Proxy vote advisor recommendation	Against	For	Against	Against	For	For
How we voted	Against	For	Against	Against	Against	For
Advanced communication to company of vote intent	No	No	No	No	No	No
Rationale for the voting decision	Excessive remuneration and poor disclosure of data and targets	In support of corporate governance best-practice	In support of corporate governance best-practice	Excessive remuneration and poor disclosure of data and targets	Opposition to political biases identified at proxy vote advisor	Reputational and social damage
Outcome of the vote	All for (all <80%)	Against (68%)	For (87%)	All for (all with majority of vote)	All against (but several very close)	Against (79%)
Implications of the outcome	None due to management control of company	No change in Board governance has been made	No change to Board membership or rights	SFIM have engaged further directly on related governance issues	Outcomes pending, esp. on close votes.	Currently unknown
Criteria on which vote classified "most significant"	2, 3, 5	2, 5	2, 5	2, 3, 4, 5	3, 4	3

Voting Resolution Example

In 2021, we voted in favour of a shareholder proposal for a large US tech holding's Board to conduct a full review and produce a report on sexual misconduct / harassment and discrimination at the company. This vote was against management's recommendation, but came after high profile cases of historic management misconduct at the company (and several other companies at the time).

The proposal received 78% support from shareholders and as a consequence in 2022 the company produced a 50 page transparency report on complaint handling of sexual harassment and gender related discrimination. The report was subjected to an external, independent review which resulted in a final implementation plan that established a policy review process, targets policy revisions, recommended raising greater awareness of legal rights for employees and expanded senior management training on the topic.

Fixed Income

Due to the nature of the asset class, we have no voting rights over the fixed income securities held. We currently do not seek amendments to terms and conditions of the fixed income instruments invested in given our focus on the secondary market for corporates.

EXTERNAL EXPERTISE

Third-Party Investment Managers

SFIM UK do not use segregated accounts and instead only invest in third-party pooled funds where the managers have full discretion on how to vote.

While we delegate the voting responsibilities to third party fund managers, the approach to stewardship and voting is one of the key areas that we conduct due diligence on and is highlighted as an ESG priority in Principle 7. In order to be considered as a candidate for capital, fund managers need to demonstrate that they take their stewardship responsibilities seriously; this includes a good voting record, an appropriate level of engagement which fits with the process and philosophy of the strategy, and honest and transparency in their dealings with us.

In order to form a view on these matters, SFIM UK will acquire voting records and read through stewardship reports, and often go back to the manager to query certain votes. If the team disagrees with how stewardship is being conducted or with a particular vote, then we will look to engage directly with the fund manager. If it is a material disagreement, then we may consider disinvesting.

As a team, we pride ourselves on the level of detail that we collect on voting statistics and an example is shown below for the Stonehage Fleming Global Balanced Portfolio Fund, where 98% of resolutions were voted on our behalf.

	% of equity exposure	% of resolutions voted on
Fund 1	12%	94%
Fund 2	12%	98%
Fund 3	10%	100%
Fund 4	10%	96%
Fund 5	9%	100%
Fund 6	8%	100%
Fund 7	8%	100%
Fund 8	7%	95%
Fund 9	6%	100%
Fund 10	4%	100%
Fund 11	4%	100%
Fund 12	4%	100%
Fund 13	4%	100%
Total	100%	98%

Source: Stonehage Fleming, most recent data from underlying managers. Data for Stonehage Fleming Global Balanced Fund equity book as of 31st December 2022.

In addition to the voting conducted by the fund manager's on our behalf, we are able to exercise our voting responsibilities at AGMs and EGMs of the Funds held. We will look to vote on fund resolutions and consider whether fund changes, auditor/director appointments, and other matters are in the best interests of our clients. A good example of this has already been provided in the Principle 9,10,11 section, where we successfully got one of the world's largest asset managers to amend their Corporate Governance Statement (CGS) to clarify the due diligence they perform on fund directors; this was after voting against the appointment of the directors.

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