STONEHAGE FLEMING STEWARDSHIP REPORT

2024

STONEHAGE FLEMING

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CONTENTS

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A MESSAGE FROM GIUSEPPE CIUCCI, EXECUTIVE CHAIRMAN & GROUP CEO

Welcome to our Third Annual Stewardship Report.

The term stewardship is integral to our business. We have a vital role to play as good stewards of our clients' capital, but beyond that for the entirety of their wealth and reputations, and as facilitators of the successful transition of wealth from one generation to the next. In the 33 years I have been with the firm, including 20 as CEO, this has been a core consideration of our proposition.

We have always recognised that the positive impact we can generate for communities global and local, will be primarily delivered through the decisions we take as investment managers. Our engagements with the third-party managers and companies to which we deploy capital on behalf of our clients are critical to this process. We have taken further 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 considered in the day to day running of the business. The work of our Stewardship and Investment Sustainability Committee (SISC) has been expanded and Graham Wainer, CEO Investment Management addresses this more fully in the next section.

At a Group level, we have further formalised the management of stewardship considerations, and are reviewing processes and setting targets, with the ambition of properly embedding sustainability in the fabric and day to day behaviours of the firm.

- We have renamed the DE&I Committee and refreshed its leadership to increase the visibility of the important work this committee conducts and to fully reflect the scope of its mandate
- We have further established the Responsible Business Group as the third pillar of our stewardship and sustainability governance. This committee will set out Group ESG strategy, including defining our use of environmental performance indicators and our pathway to becoming a net zero business, as well as having oversight over progress reporting to our stakeholders
- In 2023 for the first time we reported across 49 different ESG metrics to our external shareholder Caledonia Investment Trust, contributing to their aggregated reporting across all portfolio companies

STONEHAGE FLEMING STEWARDSHIP REPORT 2024

Our collaboration with external partners demonstrates our commitment to positive change in the communities in which we operate.

The Responsible Business Group together with SISC and the DE&I Committee all report directly to the Senior Leadership Team or members thereof, and it is also the intent to assign oversight of our progress and impact as a responsible business at Board level.

A MESSAGE FROM GIUSEPPE CIUCCI

We have continued to recognise women in leadership through our work with the Stonehage Fleming XV, several of whom have shared their career experiences and insights with many of our staff, our clients and members of their Next Generation. We are particularly proud that Natalie Campbell MBE, Chancellor of the University of Westminster, co-CEO of Belu and long-standing member of our UK Advisory Board is standing as an independent in the London mayoral election. Whilst gender diversity at the highest levels of the business still needs improvement, the active involvement of role models in our business and with our stakeholders has clearly had positive resonance.

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 support through mentoring and experiential programmes the personal and career development of students from the University. This is another demonstration of 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 noteworthy credentials, 51% of Westminster students are the first generation in their families to go to University and 64% of undergraduates are from ethnic minority backgrounds.

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 50 charities across 14 geographies in 2023. We are entering the final year of a three-year commitment to the Duke of Edinburgh's International Award, which has a global ambition to bring the Award accreditation to more than 2 million young people annually. Our contribution will ultimately have supported 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).
The Duke of Edinburgh gave special recognition to our contribution and partnership with the International Award in December 2023 at St James's Palace.

A MESSAGE FROM GIUSEPPE CIUCCI

Following our move in London to new BREEAM certified offices in September 2022, we are continuing to look for opportunities to upgrade the quality and environmental efficiency of our office space internationally; we have a programme of office openings and renewals underway in 4 of our offices across Europe and Africa in the next 12 months. This will have significant benefit for our people but also help reduce our scope 1 and 2 emissions.

We are proud to have had our Stewardship Reports approved in the last two years, evidencing to all our stakeholders that we understand the importance of Stewardship and are implementing adherence to the Code with enthusiasm and diligence. In 2023 we also made our first submission in respect of the UN Principles for Responsible Investment. We continue to learn much about where we can establish best practices from both the FRC and UNPRI.

We have made changes to the executive leadership of the firm in the last 12 months but I am pleased to say that once again 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, further enhanced by selective recruitment and internal promotion. This continuous development process means we now have an established centre of excellence and experience in this crucial area.

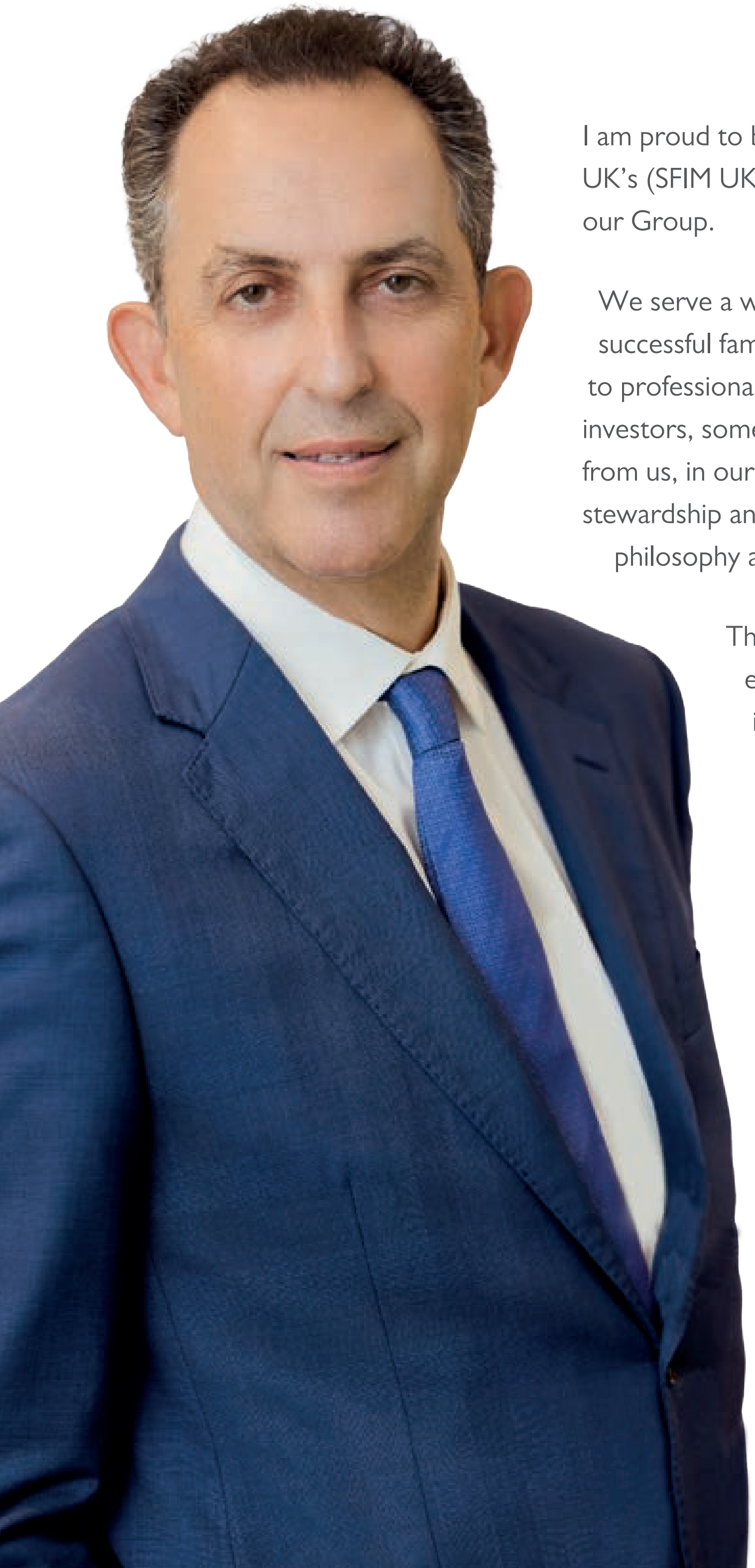
Final review and approval of this report rests with me as Executive Chair and Graham Wainer as CEO Investment Management. It has also been reviewed by the Stewardship and Investment Sustainability Committee, which is a designated body of the SFIM Board.

I am delighted to present our third Annual Stewardship Report.

GIUSEPPE CIUCCI

STONEHAGE FLEMING STEWARDSHIP REPORT 2024

A MESSAGE FROM GRAHAM WAINER, CEO INVESTMENT MANAGEMENT



I am proud to be presenting Stonehage Fleming Investment Management UK's (SFIM UK) Stewardship Report alongside the Executive Chair of our Group.

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 stewardship and sustainability are best incorporated in their investment philosophy and objectives.

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

Reflecting this, we have over the past 12 months further refined our approach to stewardship, through an updated engagement policy and a first targeted ESG engagement programme for our sustainable strategy and the Global Best Ideas Fund. In addition, we have established a Screening and Exclusions Policy to formalise our investment approach to those companies which we view as operating in industries having a broadly detrimental impact to the global community.

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. We work hard to understand the dynamics of intergenerational wealth, and the different perspectives held by different age groups, and indeed the perspectives of those in the first generation of wealth from those who have already managed a successful transition between generations. Proprietary research, conducted last year with nearly 300 families and their advisers helps ensure we are current with their concerns and priorities, and this report references some of the key findings and why they are important to stewardship in more detail.

The framework for our reporting has not changed. We refer in this document as in our previous submissions to 'internal expertise' - our team of in-house specialist stock selectors and high quality bond selectors, whilst 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 (**UN SDGs**). 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.

A MESSAGE FROM GRAHAM WAINER

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.
In addition to our Stewardship Reports, we made our first submission to the UNPRI in 2023. Feedback from this process and from self-appraisal means we are in no way complacent about our progress 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 third 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 2024

"Proprietary research, conducted last year with nearly 300 families and their advisers helps ensure we are current with their concerns and priorities...

www.stonehagefleming.com

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 predominantly owned by management and staff means we are free from the commercial pressures and constraints faced by 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 £16.1bn 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.

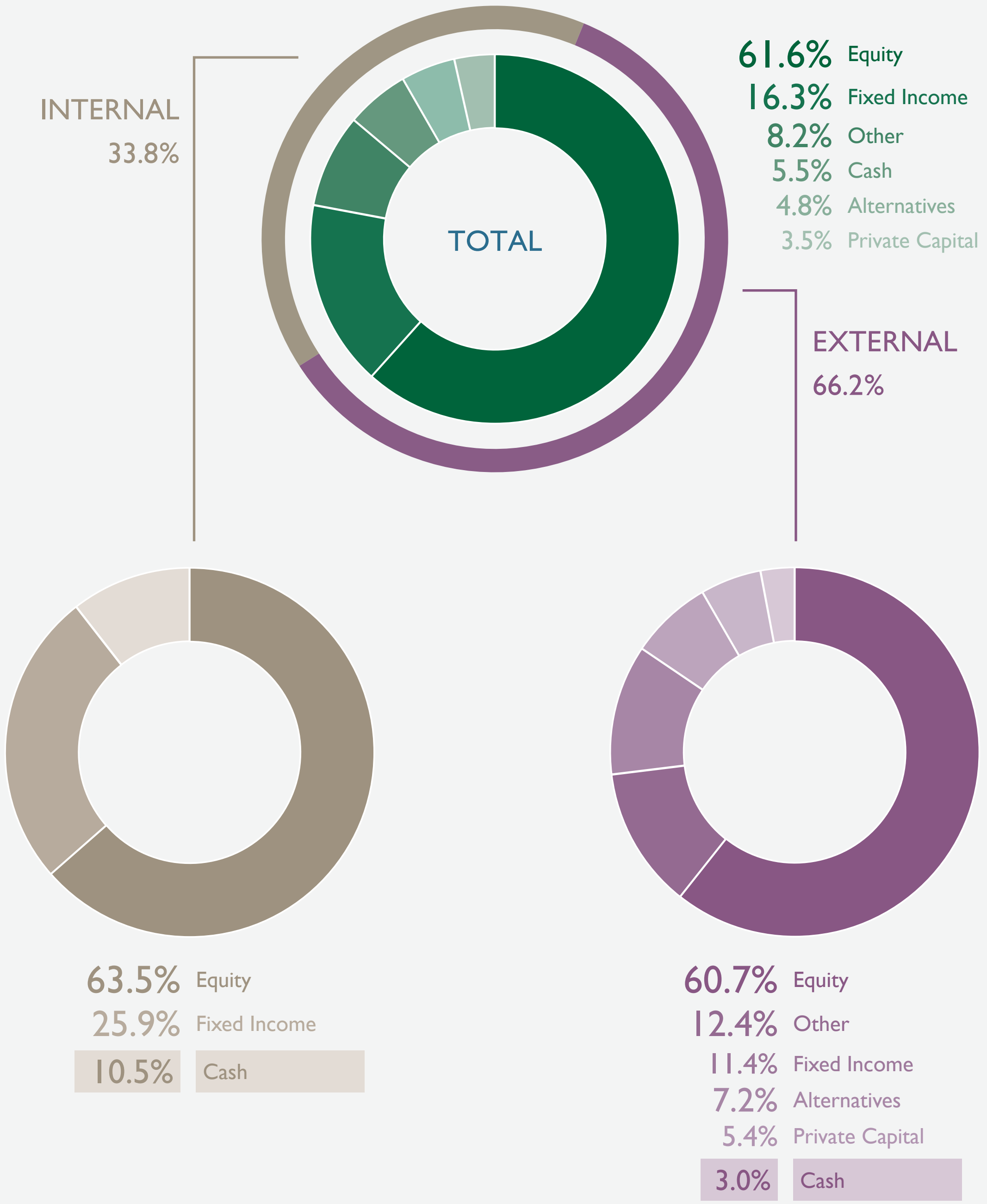
In other instances, clients have come to us to utilise only our direct equity selection capability and have more extensive portfolios managed elsewhere.

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 13 (further information on asset breakdown can be found in Principle 6)

INTRODUCTION

ASSETS UNDER MANAGEMENT



Source: Stonehage Fleming Investment Management, 31 January 2024
Includes Fund data and SFIM UK client holdings, some estimates used on advisory assets.

INTRODUCTION

INTERNAL EXPERTISE (33.8% ASSETS)

Global Equity Management (GEM) Team (21.5% 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 (12.3% 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.

INTRODUCTION

EXTERNAL EXPERTISE (66.2% 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 expanded our multi-asset offering in 2019 to include dedicated sustainable investment mandates.

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 managers whose investments align with 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.

OUR 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.

PRINCIPLE 1

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, both in terms of investment performance and comfort with how their capital is deployed.

We have surveyed clients, advisors, and friends of the firm regularly since 2018 on the importance to them of reflecting their values in their investments.
Over 70% of respondents have consistently reported that they wished for their values to be represented in their investments, though the means of implementation was much more nuanced. These findings were amongst the catalysts for launching our sustainable proposition for clients in 2019.

Our 2023 survey was the most extensive yet conducted reaching nearly 300 respondents in multiple jurisdictions, and in terms of the issues explored.
The importance of Social Capital, the contribution in its broadest sense that a family or individual makes to its communities, both local and global, is explored in detail. 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.

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.

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 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 considered ESG risks as an element of its broad research process and portfolio management considerations. From experience, we know that companies not actively addressing their ESG and climate transition risks will be less able to generate future sustainable revenue and earnings growth.

**Sustainable growth refers to growth prospects of a company within its current capital structure.*

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 (UN SDGs). 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.

PRINCIPLE 1

NEW FOR 2023

During 2023, the wider business won nine industry awards including multiple Family Office awards, Citywealth Brand of the Year and our first recognition for stewardship and sustainability. In addition, 12 of our professionals were individually recognised. We are pleased that our firm and client proposition receive regular third party validation and recognition for the high-quality work we do on behalf of clients.

We issued the fifth in our series of Four Pillars of Capital proprietary research reports, focused on helping families and wealth creators achieve intergenerational success. The report drew on insights from over 300 respondents in multiple jurisdictions, and representing different age groups and generations of wealth. The report is publicly available and is the centrepiece of speeches at conferences in the UK, Europe, Africa and the Americas, both those hosted by Stonehage Fleming and by respected organisations such as the Society of Trust and Estate Practitioners (STEP). We also hosted events where families debated the findings and shared experiences of managing risk and reputation, demonstrating their social capital and community engagement, and investing responsibly.

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.

Governance supports stewardship and requires the following:

- Highly qualified, honourable, and experienced individuals in positions of trust
- Access to resources and infrastructure that support 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.

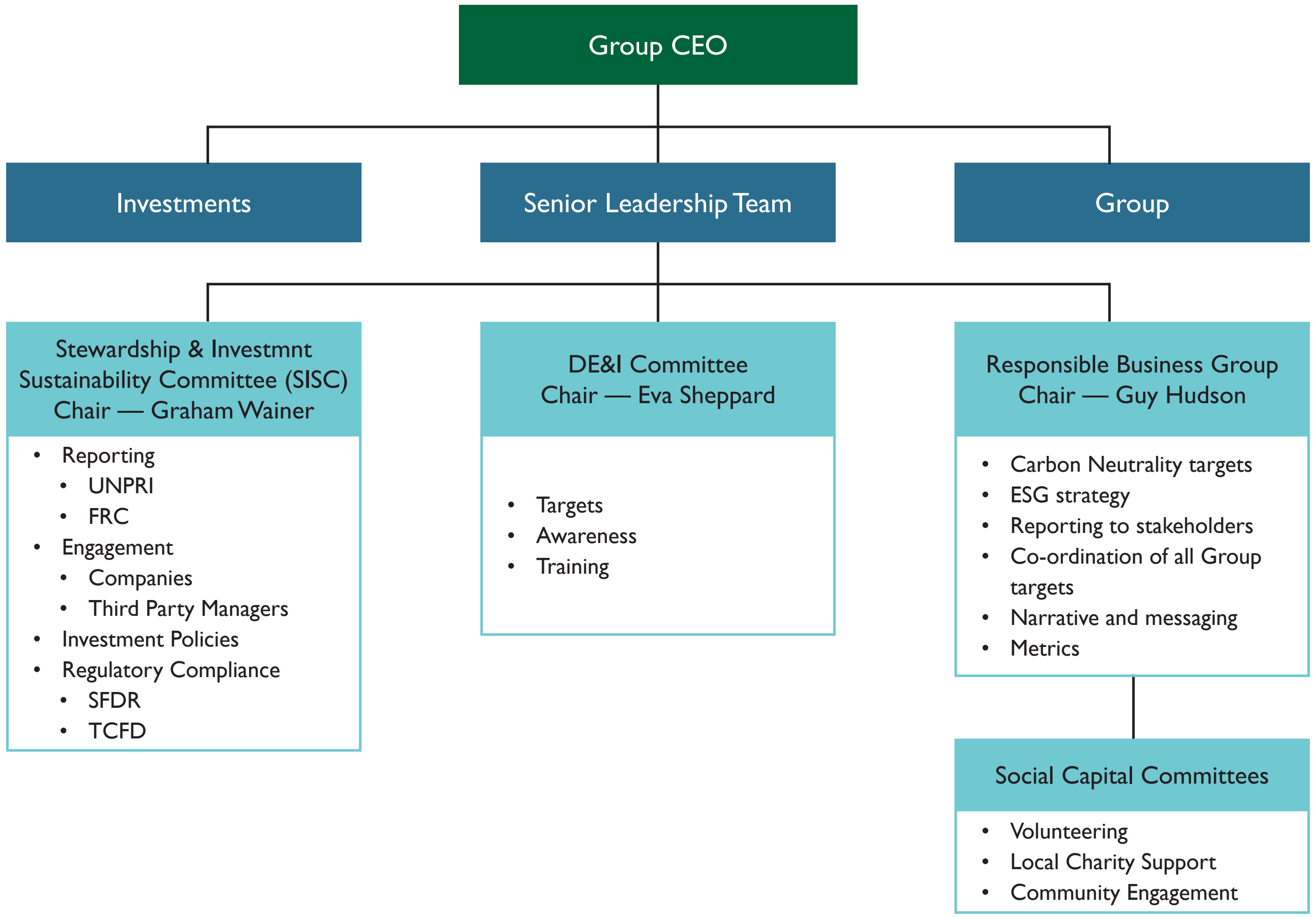
STONEHAGE FLEMING STEWARDSHIP REPORT 2024

PRINCIPLE 2

OVERSIGHT AND ACCOUNTABILITY

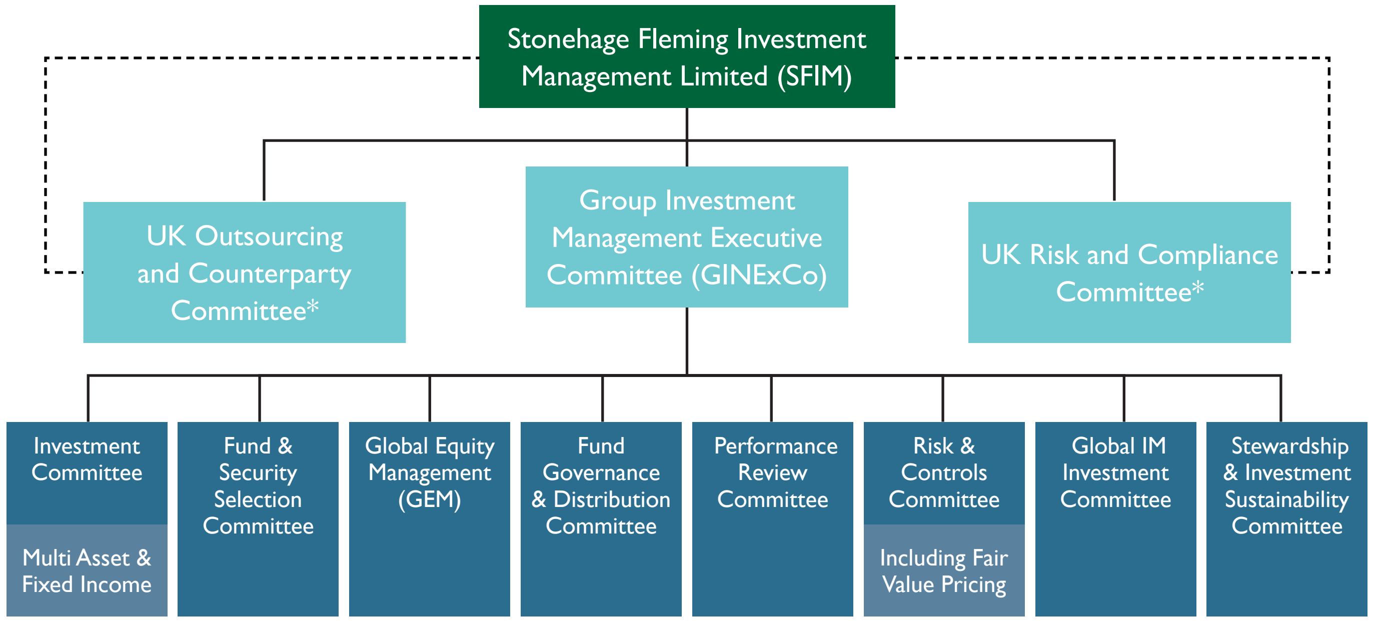
As is appropriate for an investment business of our size, we have a governance structure in place to ensure that our investment activities are conducted effectively and serve the needs of all stakeholders (clients, employees, business and industry partners, regulators etc.). To achieve those ends, we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

The schematic below shows that at Group level all Stewardship activities, conducted through the Stewardship and Investment Sustainability Committee, DE&I Committee and the Responsible Business Group, ultimately report up to the Group CEO. Stewardship activities occur through normal reporting lines.



PRINCIPLE 2

At SFIM level, additional committees integrating aspects of stewardship exist. These do 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 Giuseppe Ciucci 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.

Since our last report, we have reported to our strategic external shareholder, Caledonia Investment Trust, across a wide range of metrics, predominantly focused on environmental considerations, to contribute to its own aggregated reporting across its portfolio as a quoted investment trust.

PRINCIPLE 2

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 operational 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.

Over recent years, the firm has placed a greater emphasis on stewardship and ESG considerations within the appraisal process to incentivise employees accordingly. In 2023, there was a further increase in investment team members that have this incorporated in their objectives. This is naturally a challenging area on which to assess employee performance and we continue to look at ways of developing this further.

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 2024 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 activities, all of which are members of the SISC, are shown below:

TRISTAN DOLPHIN

Head of Sustainable Investments

Tristan is Head of Sustainable Investments at Stonehage Fleming and acts as portfolio manager to the firm's multi-asset and equity-only sustainable investment strategies. He also contributes to broader multi-asset investment strategy and fund research.

Tristan joined the Group in 2011, initially in the Direct Equity team during a period of strong growth before moving across to the Investment Strategy and Research team.

He holds an honours degree in Psychology from the University of Plymouth and qualified as a CFA Charterholder in 2015.

PHILIPP CYRUS

Sustainability & Stewardship Officer

Philipp is an Associate Director at Stonehage Fleming, responsible for Sustainability & Stewardship. He manages and coordinates sustainability related regulatory and disclosure projects, stewardship activities, policy and process development and strategic planning. He is also a member of the Sustainable Investment team.

Philipp joined the Group in 2023, having previously worked as an analyst in the sustainability research division of S&P Global. He also worked in research, development and teaching capacities for various UK and international organisations, including UK based Social Value Portal, the London City University and the UN Food and Agriculture Organisation.

He holds a Doctor of Philosophy in Economics from the School of Oriental and African Studies, London.

GRAHAM WAINER

CEO Investment Management

Graham is CEO Investment Management with overall responsibility for the firm's investment management business. He is also Chairman of the Investment Committee and the Stewardship & Investment Sustainability Committee (SISC).

Prior to joining the Group, Graham was GAM's Group Head of Investments – Multi Asset Class Solutions and Chairman of GAM's Investment Advisory Board where he had overall responsibility for the firm's discretionary mandates and related co-mingled funds. Graham holds Bachelor of Commerce (Hons) and Master of Commerce degrees from the University of Cape Town.

PRINCIPLE 2

GUY HUDSON

Head of Marketing and Communications

Guy is Head of Marketing and Communications for the Stonehage Fleming Group. As a Partner and Chair of the Responsible Business Group, Guy also leads on embedding, co-ordinating and measuring ESG considerations within the day to day running of the business.

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 previously practised as a Chartered Engineer and obtained a Master of Science in Engineering for research in numerical modelling from the University of Cape Town. Having grown up in Zambia has meant that John is acute to issues around inequality and development economics relating to our emerging market investments.

John is embracing his own sustainable lifestyle living on a flower farm in Surrey.

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.

PRINCIPLE 2

SIMON WARD

Investment Management

Simon is a Partner within Stonehage Fleming Investment Management and looks after a small group of large UK and international client families across invested multiple asset classes.

Prior to joining the Group in 2002, he worked for Cazenove Fund Management where he managed discretionary portfolios for UK based entrepreneurs and families. Whilst there, Simon completed SFA and Securities Institute examinations, becoming a Fellow of the Securities Institute in 2001.

He is a member of the Stewardship and Investment Sustainability Committee and of the Performance Review Committee.

JILLY WONG

Risk and Compliance

Jilly is a Senior Compliance Manager within the Risk & Compliance Team, working closely with the business on various aspects such as regulatory change, financial promotions reviews, cross-border marketing and business risk registers.

Prior to joining Stonehage Fleming in 2021, she worked in the Compliance Operations Team at Close Brothers. Jilly began her career in compliance in the Asia financial centre of Hong Kong, initially with a boutique asset management firm and then moving to the global investment bank, Credit Suisse, as part of the Equities Compliance team. With over 20 years' experience she has gained exposure to hedge funds, equities, funds administration and prime-brokerage.

Jilly also holds a Master of Business Administration from the University of South Australia.

JON SCARLL

Head of Operations

Jon is Head of Investment Operations and joined the Stonehage Fleming 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 SISC 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.

PRINCIPLE 2

DIVERSITY, EQUALITY & INCLUSION COMMITTEE (DE&I COMMITTEE)

The DE&I Committee was established in 2020 with representatives from across business lines, functions, and geographies, with varying levels of organisational seniority. Chaired by Eva Sheppard, a senior client Partner at Stonehage Fleming Investment Management, the DE&I Committee is charged with supporting the Senior Leadership Team by establishing meaningful and achievable goals to increase awareness of DE&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. These goals include:

- Training: Raise awareness and increase inclusion by providing everyone with annual Diversity, Equality & Inclusion Committee (DE&I) training (on target)
- Recruitment: Improve the diversity of the Stonehage Fleming workforce, by interviewing a higher proportion of diverse candidates. The diversity criteria measured include one of three categories: ethnicity, highest level education and gender (target of 30% met in the last financial year, rising to 40% in the year ending March 31st 2025)
- Workforce: Increase the gender diversity of the workforce at Senior Management level (target of 25% Directors, Partners and Board met for the last financial year, set at 28% for the year ending March 31st 2025)
- Activities: For the committee to assume responsibility for organising at least two global activities/events annually to everyone with the purpose of promoting DEI in line with our mission statement (Wellness Week is in its third year and once again we are participating in the #10,000 Black Interns program)

PRINCIPLE 2

RESPONSIBLE BUSINESS GROUP (RBG)

The RBG is the latest addition to the Group's stewardship and sustainability governance structures. First constituted in 2024, it has been established with a mandate which includes:

- Establishing a "centre of gravity" for the Group's strategy, ambition and narrative as a responsible business, as well as target setting, monitoring, measuring and implementation
- Developing the Group's Responsible Business strategy, ambition and narrative, for approval by the Senior Leadership Team and Group Board
- Recommending which Responsible Business KPIs to identify for the Group to monitor and improve
- Working collaboratively with industry peers, including participation in relevant industry events and networks
- Maintaining a roster of all commitments to voluntary bodies across the Group and identifying any affiliations which would benefit the Group and its stakeholders
- Establishing processes for measuring the progress of the KPIs, including appropriate data storage and quality checks
- Reporting to all stakeholders on Responsible Business matters including progress against targets

The RBG works closely and shares membership with the other two pillars of our Governance framework overseeing stewardship and sustainability matters. The RBG is chaired by Guy Hudson, a senior Partner who formerly chaired the SISC, and includes Eva Sheppard, a senior Partner and chair of the DE&I Committee, Tristan Dolphin, Head of Sustainable Investments and Philipp Cyrus, Sustainability and Stewardship Officer, both of whom are also members of the SISC. Lorraine Whitby, Head of Facilities Management is also a member of the RBG, reflecting the importance of buildings and facilities management to ensuring that best practices in terms of sustainability are applied across the Group's 19 offices, including relationships with suppliers, recycling and waste management, conformity with local regulations, and energy conservation.

The RBG works closely with other Group functions e.g. Finance to track client-related and intra-company travel and ensure that non-essential travel is limited and the Group's carbon footprint is tracked and managed appropriately.

PRINCIPLE 2

NEW FOR 2023

- First reporting cycle to principal external shareholder completed comprehensively
- Responsible Business Group established with formal mandate and reporting line to Group Executive
- Philipp Cyrus appointed Associate Director, Sustainability and Stewardship Officer in May 2023

FUTURE GOALS

- Ensure all members of the investment team and RBG have stewardship and ESG incorporated within the appraisal process
- Identify provider to ensure accurate data capture, tracking (e.g. Scope 1-3 emissions) and reporting to stakeholders

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. 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.

PRINCIPLE 3

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.

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.

EXAMPLE

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 in recent years, 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.

EXAMPLE

PRINCIPLE 3

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.

EXAMPLE

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.

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.

EXAMPLE

PRINCIPLE 3

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.

EXAMPLE

FUTURE GOALS

We are looking to introduce "Market Soundings: Gatekeeper" rules for our fund managers. This is where an investee company may seek to bring investors "inside" on material non-public information. The Gatekeeper set up will give Risk and Compliance initial insight to the circumstances before the fund management team and should ensure full capture of all such incidents to ensure no conflicts of interest arise.

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 diversified 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 and Performance 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 at least once 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.

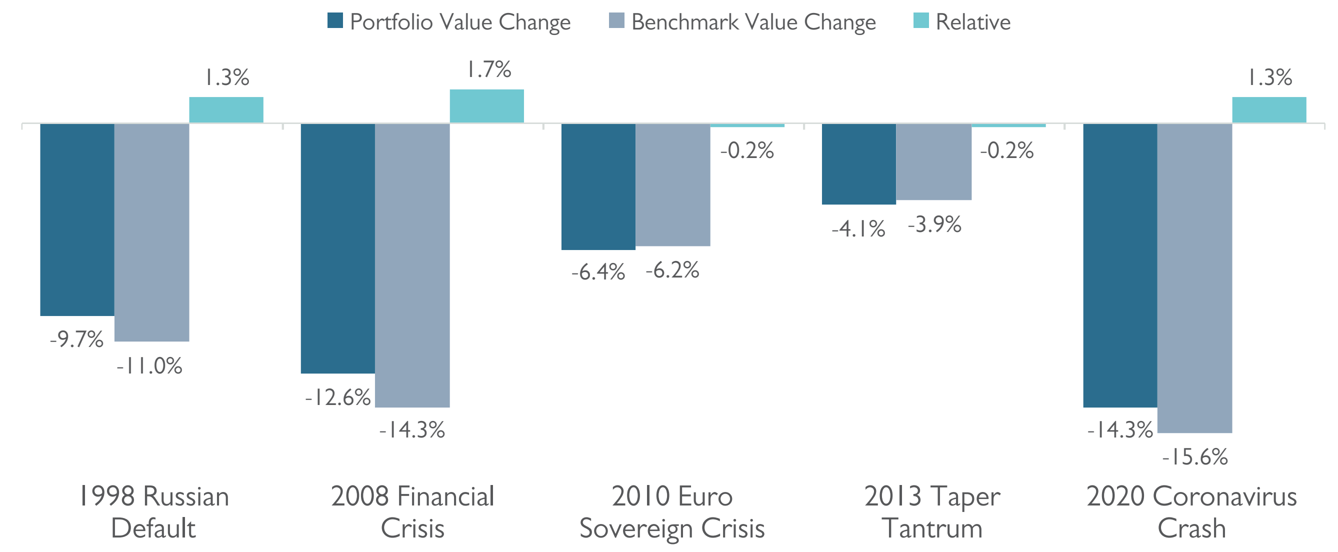
The Investment Committee approaches market-wide and systemic risk from several different angles.

PRINCIPLE 4

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.



Source: FIS Investment Risk Manager, April 2024

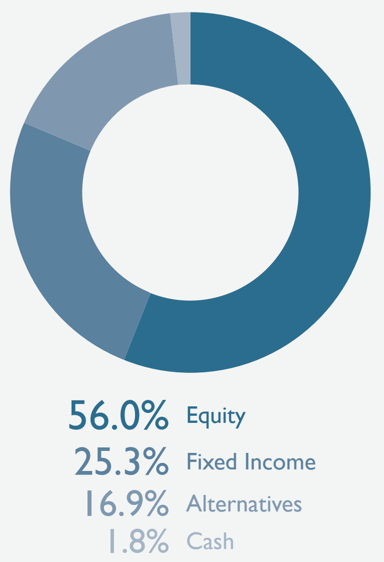
Portfolio: *Stonehage Fleming Global Balanced Fund*
Benchmark: *55% Amundi MSCI All Country World ETF, 31% Bloomberg Barclays Global Aggregate Index, 12% HFRX Equal Weighted Index, 2% Cash. Return in GBP*

PRINCIPLE 4

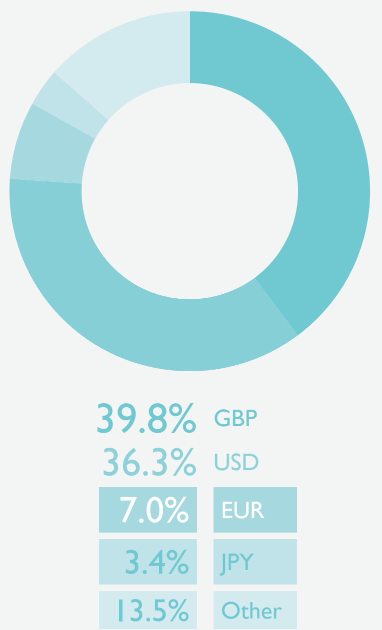
We fully recognise that models are only as good as the data they draw upon.

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.

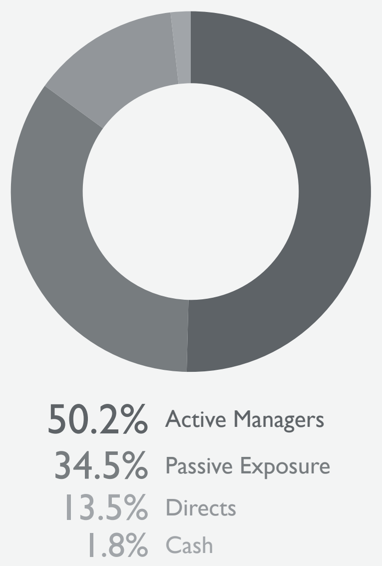
ASSET ALLOCATION



CURRENCY ALLOCATION



STRATEGY BREAKDOWN



DETAILED ASSET ALLOCATION (%)

Cash	1.8	Government Bonds	22.6	Non-Government Bonds	2.6	Alternative Strategies	11.0	Commoditites	5.9
US Equity	34.3	Europe ex UK Equity	7.4	UK Equity	5.0	Asian Equity (Inc. Japan)	4.1	Emerging Market Equity	5.2

Source: APX, Stonehage Fleming Investment Managment data as of April 2024

PRINCIPLE 4

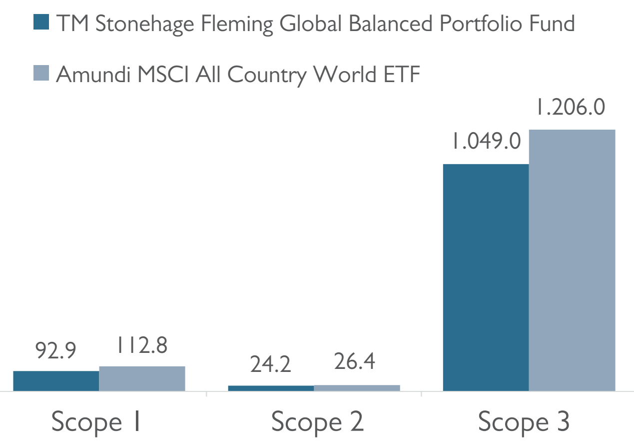
MANAGING RISK – CLIMATE CHANGE

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 example portfolio below). This data is available for the Investment Committee so they are in a better position to manage our sensitivity to climate risk. The firm is currently compiling its first TCFD report and we look forward to sharing more information on this in next year's Stewardship Code Report.



Source: Morningstar, data as of April 2024

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 table produced by one of our US equity fund managers which looks at a range of data points on climate change from their most recent responsible investment report, having previously designed a proprietary carbon tax model.

	Environmental			Social & Governance		ESG
Metric	Science-based Targets	Implied Temperature Rise	Weighted Carbon Indensity	Glassdoor Score	UN Global Compact	ESG Fund Rating
2H 2023	55%	2.3 °C	Above benchmark (higher carbon)	3.9 / 5 star rating	No ISS identified breach	A
1H 2023	45%	2.2 °C	Above benchmark (higher carbon)	3.9 / 5 star rating	No ISS identified breach	A
2H 2022	47%	3.2 °C	Below benchmark (higher carbon)	3.9 / 5 star rating	One ISS identified breach	AAA

Source: Findlay Park, Responsible Investment and Engagement Report 2H 2023

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. We also went a step further in 2023 and engaged many of our underlying third party managers on nature specifically. This is one particular area impacted by climate change and non-climate change related factors, and we wanted to understand the extent to which managers have thought about this in their process. The results of our findings were mixed with all managers having done some work on this, but most not having a clear methodology.

In addition to our work with underlying third party managers, we also undertake our own proprietary research in investments held that are most at risk to climate change. For example, an extensive research paper was written during the reporting period on the investment risks within the oil and gas sector which covered details on peak oil demand, regulatory risk and windfall taxes, and the industry's reinvestment in parts of the renewables sectors which may be less profitable.

PRINCIPLE 4

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. Since 2022 we include a section on ESG policies and participation.
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	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

This case study relates to the period 2022-2023. 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. Once the due diligence was completed, a decision was taken to move to a new provider with strong financial health and an excellent track record in providing such services. The move to the new provider was completed in quarter three 2023.

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 in 2022 continues to represent a systemic and market-wide risk, alongside being a deep human tragedy. The business has taken a number of steps over the last two years:

- Investment portfolios have had some re-positioning with a reduction of equity exposure to Continental Europe and a greater allocation to the US, with the latter less impacted by the invasion, particularly on the matter of energy security
- 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". Trade sanctions remain challenging in 2023 and require client teams to remain vigilant to trading activity, particularly within complex structures

PRINCIPLE 4

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. We have seen a significant increase in recent years with managers signing up for PRI, with the most notable increase in private capital, moving from 56% in 2022 to 76% today.

During the reporting period, we encouraged a significant amount of asset managers to sign up to investorsACT.com (Action Challenge Transparency) which enables investment companies to demonstrate how their external and internal behaviours and investment practises align with their stated values and sustainability commitments. It also ensures we can form an analysis of investment culture and give credit where it is due.

NEW FOR 2023

- The GBI team now actively votes against the ratification of any company auditor with an excessive tenure of more than 15 years. In 2023 we voted against 58% of auditor ratifications as a consequence. Our intention is to ensure that auditors remain totally independent, avoid being captured by an enterprise and, ultimately, better governance and reporting.
- Encouraged a significant amount of managers to sign up to investorsACT.com (Action Challenge Transparency)

FUTURE GOALS

Further work on climate related risks, as part of our TCFD reporting, which we hope to share in next year's report.

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. Its 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. Stonehage Fleming Investment Management (SFIM) produced a Type 2 AAF 01/20 Internal Controls Report for the period covering 5th March 2022 to the 31st December 2022, which was issued to us by our external auditor BDO in May 2023. There have been no changes to our controls environment between the 1st January 2023 and the 31st December 2023 and our controls continue to operate effectively and robustly. This was confirmed by our internal audit team, which conducted an internal audit of the SFIM controls environment covering the period 1st January 2023 to the 31st December 2023
- Stewardship and Investment Sustainability Committee. This committee has a specific focus on stewardship oversight

The table on page 45 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 the CEO of Stonehage Fleming Investment Management, Graham Wainer, with oversight by the SFIM Board.

NEW FOR 2023

Stewardship & Investment Sustainability Committee signed off our first PRI submission, capturing our responsible investment practices.

PRINCIPLE 5

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, the Sustainable Finance Disclosure Regulation (SFDR) and the Taskforce for Climate Related Financial Disclosures (TCFD).
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 (UN PRI). 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, Giuseppe Ciucci.

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 2023, we managed £16.1bn 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.

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.

STONEHAGE FLEMING STEWARDSHIP REPORT 2024

When taking clients on, we conduct a thorough and comprehensive review of their needs and revisit periodically (updating where appropriate). Since 2022 we have been using 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. A new development for 2023 was the first use of the ESG section of the report that looks to understand a new client's views on sustainability/ESG through a series of questions. This is part of a broader client sustainability preferences project which is looking to introduce this topic to all of our existing and new clients over the coming years.

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:

PRINCIPLE 6

As reference, we describe a below family engagement from 2023 which required us to fulfil our stewardship role for their unique set of circumstances.

CLIENT SEEKING TRUSTED ADVISOR WITH COMPLEX STRUCTURE

A European based family who already had investment advisors in place, approached Stonehage Fleming to manage the Family wealth, core to which was a sizeable investment portfolio. Upon introduction to the Family, it became apparent to Stonehage Fleming that the financial position of the client was inherently complex, and that the existing portfolio lacked a long term goal, guidelines and general direction. Stonehage Fleming worked with the Family to:

- Define the purpose of their wealth to understand what the Family wanted from their portfolio and how the portfolio could be used to support them
- Understand the clients entire balance sheet, as well as cash flow requirements
    - These two points helped Stonehage Fleming and the Client work together to produce a long term goal for the portfolio that meets the needs of today, and the future
- Explain why the current portfolio was unsuitable to meet the long term goals
- Produce a framework for evolving the existing portfolio of assets into a portfolio that would meet the long and short term needs of the Family in order to meet the requirements of the Family over the current and future generations

We were able to assist in the following way:

- Our Family Office team were able to provide in-depth analysis of the clients existing assets outside of the investment portfolio, and cash flow requirements. The result of distilling this down was to have a single output to understand the current financial situation of the Family
- Our Investment Management team were able to opine on the existing portfolio and showcase the shortcomings of the current allocation to meet the Family's need. Stonehage Fleming Investment Management went on to formulate an investment mandate to meet the needs of the Family, which included establishing a long-term aspirational goal for the portfolio and a strategic asset allocation
- An implementation plan was produced, showing the exact steps involved to transform the existing portfolio of assets into a portfolio that would meet the needs of the client

CLIENT EXAMPLE

PRINCIPLE 6

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 feel 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 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.

As well as supporting the Next Gen of our clients, we also utilise our social capital to support less advantaged young people. We have done this through long standing support for Envision, a community action charity helping young people from less privileged backgrounds acquire life skills not generally taught in their schools, and also through our mentoring program with students from the University of Westminster.

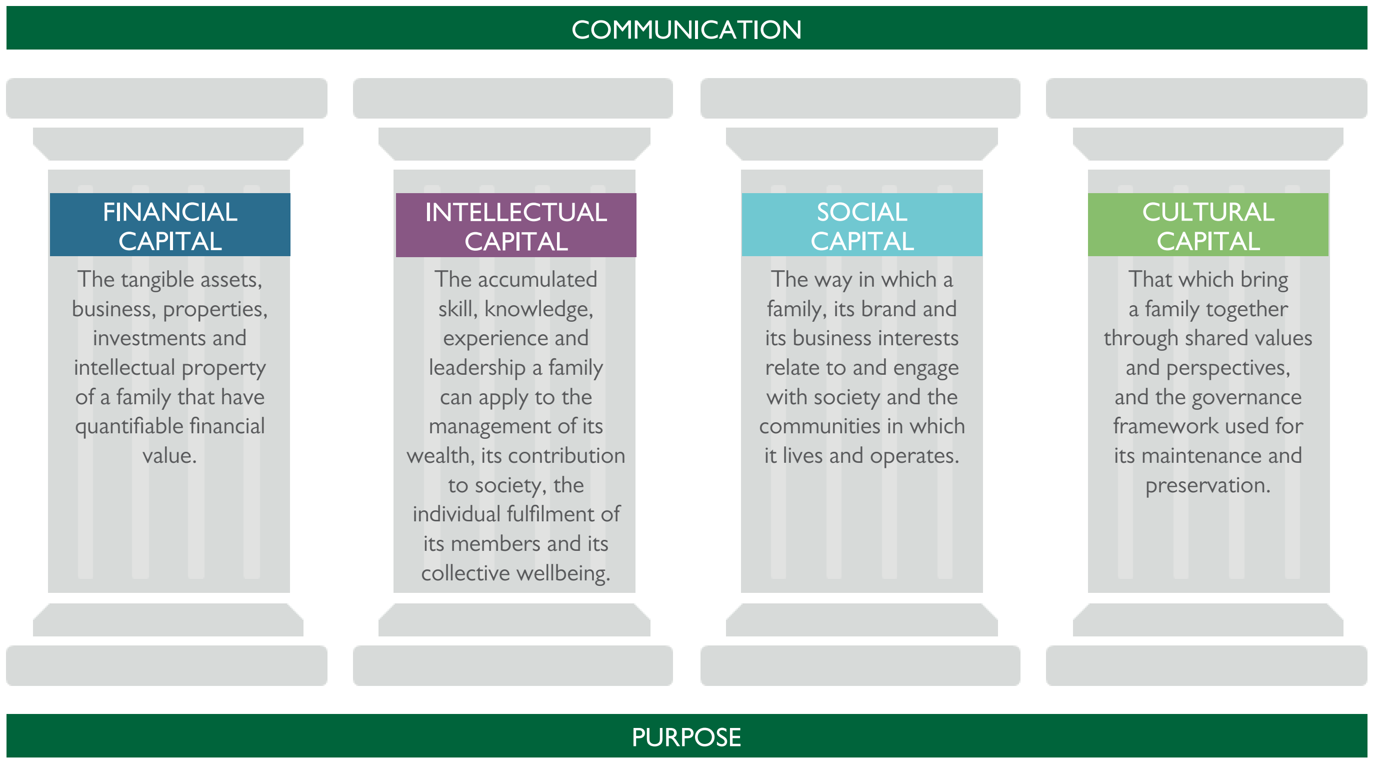
In addition to this programme, our Family Succession and Governance team offer customised educational and mentoring programmes to the Next Gen of client families to complement strategic work they undertake in supporting their long-term planning needs.

PRINCIPLE 6

FOUR PILLARS OF CAPITAL — REPORTS

Since 2013, we have published five 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.



PRINCIPLE 6

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.

In 2023 our most ambitious research piece to date found that, for the first time in our research, risks primarily to financial capital are foremost in the minds of our clients and friends of the firm, with investment outcomes and political risk/taxation two of the top three risks. The only risk to have consistently featured in all reports is failure to prepare the Next Gen, something we are acutely conscious of given the size of generational wealth transfer underway. This year will see an intense program of engagement based on the findings, including events where clients can discuss the issues raised peer to peer, and at industry conferences where we share the data with other professional practitioners. Whilst the outputs are extraordinarily powerful, the process also provides an opportunity for engagement which goes beyond mandated responsibilities for reporting and review.

You can access the full report here.

PRINCIPLE 6

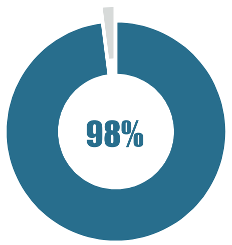
SHARING SUSTAINABLE DATA WITH CLIENTS

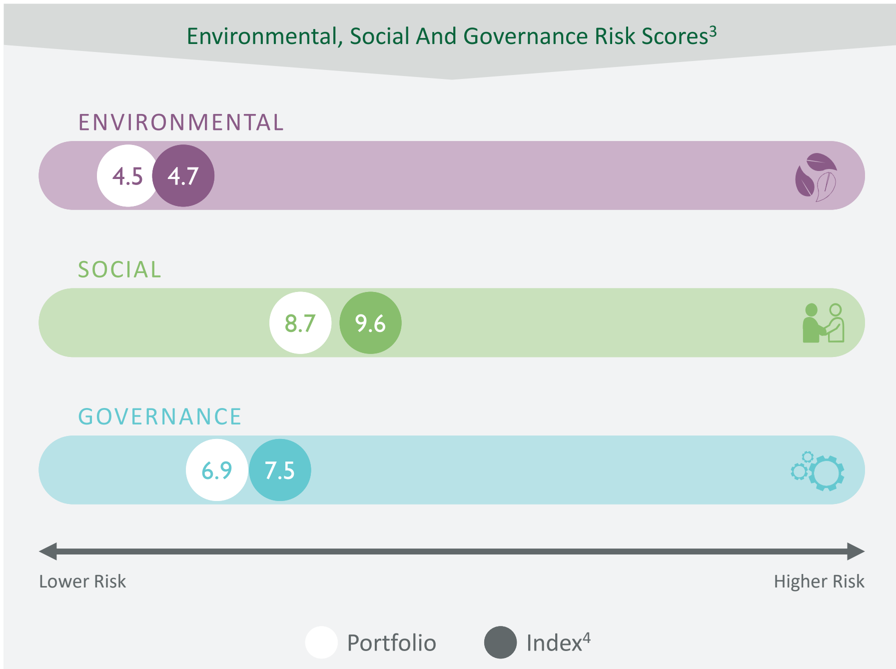
As shown in Principles 7, 8 and 9, SFIM gather a range of data on investments and managers, which include the E, S and G scores, how many are PRI signatories, and the underlying voting data. When reporting back to clients in regular updates, this data is available to be shared in presentation packs in 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 Equities Fund

Capital invested in PRI Signatories[1] %

Resolutions voted on by underlying equity managers[2] %



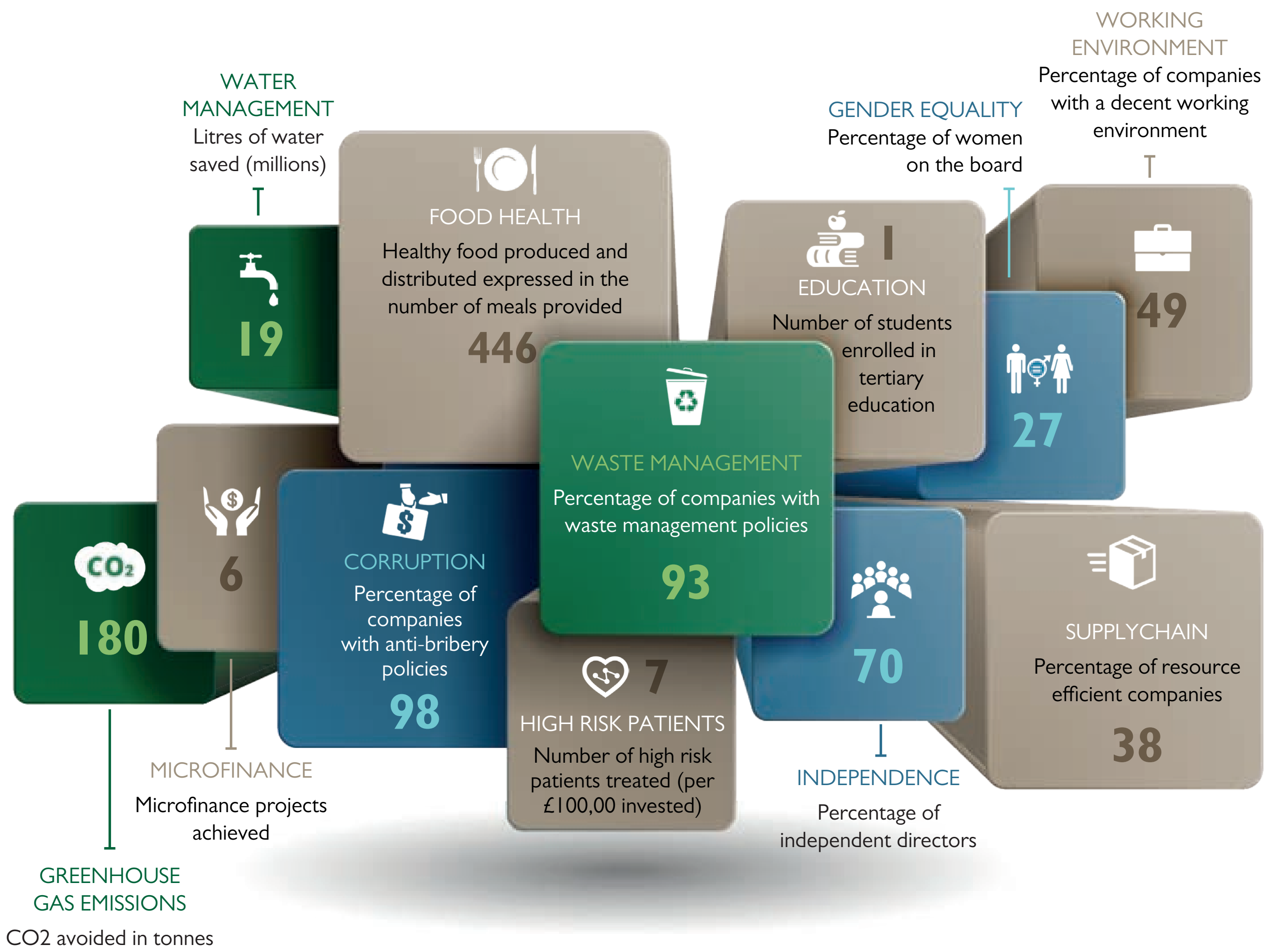


1. Source: Stonehage Fleming, underlying managers. UNPRI stands for United Nations Principles for Responsible Investment and data as of 30.12.2023.
2. Source: Underlying managers. Voting data for 2023.
3. Source: Morningstar, April 2024. Bar size and circles are illustrative, but scores are accurate and use Morningstar sustainable risk scores (0-100); lower score is lower risk. Looks at equity component of Balanced Portfolio Fund.
4. Index is Amundi MSCI All Country World ETF

STONEHAGE FLEMING STEWARDSHIP REPORT 2024

PRINCIPLE 6

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



Source: Mainstreet Partners, August 2023. Relates to Stonehage Fleming Global Responsible Investment Fund.

NEW FOR 2023

Client sustainability preferences working group set up which is looking to introduce the topic of sustainability/ESG to all of our existing and new clients over the coming years. We also first used the ESG/module of the Oxford Risk system for a number of clients.

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 Best Ideas Equity Fund maintains a core universe of circa. 150 companies from which it selects 25-30 best-in-class companies to own for a long time (target >5 years). 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 as we would if actually holding it, to build our conviction in the investment case and the quality of the company.

PRINCIPLE 7

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 bi-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:

- 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
- The Fund's ESG responsibilities and regulatory requirements, and adherence thereof

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 GBI HOLDINGS

Net Zero Target 2050
57%

Net Zero Target 2030
14%

Supports TCFD
96%

Amazon Climate Pledge Signatory
25%

UN Business Ambition for 1.5C Signatory
76%

Source: Company disclosures, UN Business Ambition, 20th April 2024

PRINCIPLE 7

Exit

We typically divest from a company for 3 reasons:

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

In reasons 1 and 2 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.

STONEHAGE FLEMING STEWARDSHIP REPORT 2024

PRINCIPLE 7

Addressing Climate-related risks in our portfolios

A more prominent feature in our research over the recent years is 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.

PRINCIPLE 7

MCDONALD'S

Background	We screen the holdings in the GBI Fund for their degree of ESG related risk. In 2023 McDonald's breached our internally set threshold risk level, and thus triggered us to conduct a thorough ESG focused research projected into the company. The subsequent 24-page report identified multiple environmental, social and governance related issues requiring further engagement with the company, that we communicated to them in writing in October 2023. A common complaint that we had was that many of their policies and targets were vague and unmeasurable.
Engagement	We included in our letter details of votes we had cast against over-tenured Board members who also hold committee leadership positions, and our vote against the ratification of its auditor, Ernst & Young, that has completed the audit for 60 consecutive years. This voting activity is in accordance with our Voting Policies.
Outcome	McDonald's investor relations responded to our letter flagging in particular their latest initiatives on climate action, use of antibiotics in its beef supply chain, its aim to "eliminate deforestation" and food safety and ethical sourcing. Their letter also acknowledged and thanked us for sharing our voting activity and motivations, though on the issue of Board and auditor tenure, we quite clearly continue to disagree. We will, based on current evidence, continue to vote against these agenda items as long as we own McDonald's.

SFIM ENGAGEMENT

PRINCIPLE 7

Direct Fixed Income

Investment decisions within the fixed income team are underpinned by bottom up analysis, where the investible universe is decomposed in order to look at companies at an individual security level. Credit analysis is then done in house using both internal and external resources in order to focus on the issuer's key fundamentals and risks, including but not limited to ESG and Climate Risk.

Our fixed income team does 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 we recognise that ESG factors are increasingly important inputs when evaluating companies, with the team believing that companies that exhibit good ESG credentials are more likely to have also addressed risks that can potentially impact them financially. ESG related factors have therefore become an important factor that can influence an issuer's credit spread and overall risk profile.

Development in 2023 has built upon our work in 2022 to formally incorporate the ESG screens available from various vendors, particularly Bloomberg, and use this as an input into the security selection process. This is now firmly within our process documentation, ensuring we are integrating a consistent consideration of material ESG factors into our investment research. 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 as an input into the process of evaluating investment opportunities and risks for companies and sectors.

STONEHAGE FLEMING STEWARDSHIP REPORT 2024

PRINCIPLE 7

Abbvie Bond	Score	Score vs Peers
Environmental	6.38	Leading
Energy Management	6.43	Leading
Waste Management	6.34	Leading
Social	3.53	Leading
Access & Affordability	3.00	Leading
Product Quality Management	4.42	Leading
Marketing & Labelling	2.14	Leading
Ethics and Compliance	2.61	Leading
Social Supply Chain Management	3.00	Leading
Labour & Employment Practices	7.79	Leading
Governance	6.79	Leading
Board Composition	6.45	Above Median
Executive Compensation	8.76	Leading
Shareholder Rights	4.57	Below Median
Audit	8.46	Above Median

Source Bloomberg, February 2024.

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:

- Understanding 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 solid 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 2024

PRINCIPLE 7

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, and 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 decisionis unexpected
- 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

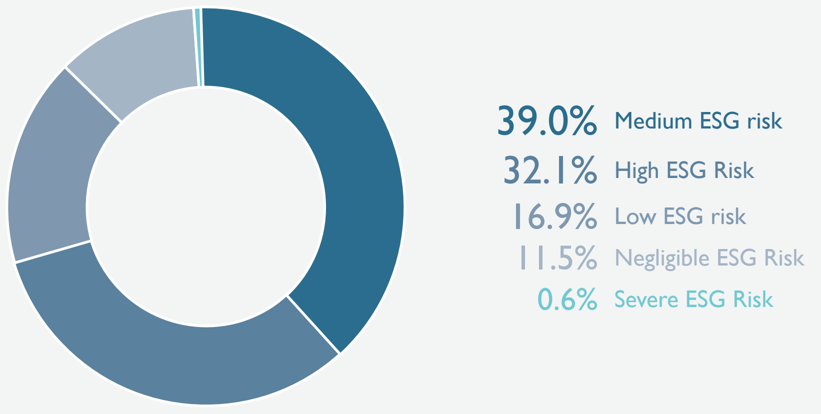
PRINCIPLE 7

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, April 2024. Relates to TM Stonehage Fleming Global Balanced Portfolio Fund
This is as a percentage of holdings with available data (94% coverage)

PRINCIPLE 7

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.

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

We completed a bi-annual audit of our proxy vote research providers in accordance with the requirements of our SEC license. We will consider the current provider alongside alternatives at the same time to ensure the provider is meeting our voting 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.

EXAMPLE

PRINCIPLE 8

EXTERNAL EXPERTISE

The majority of our clients' 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 data on ESG exposures. With all this data, we are in a strong position to challenge managers, such as in the example below.

ASIA MANAGER VOTING RECORDS

During the reporting period, we engaged with one of our Asia managers having gone through their voting records and had queries on some of their votes against management. Some of these votes against included extensions of credit lines and increases in borrowing powers, and we queried whether disinvestment would have been preferable given these quite fundamental issues. We note that corporate governance issues can be value destructive in all regions and particularly so in emerging markets historically.

Upon having a follow-up with the manager on these points, we gained confidence that these changes weren't material to the investment case. We remain vigilant to corporate governance issues and will continue to monitor manager voting records in this area.

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 recently engaged with a number of managers on encouraging them to sign up to investorsACT.com (Action Challenge Transparency).

PRINCIPLE 8

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 2023, some of 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 2023, we engaged with them on data quality and timeliness, machine learning functionality and also some of the methodology behind a newly incorporated ESG function related to manager skill. We continue to monitor other service providers that provide similar software, but still believe this a superior platform.

EXAMPLE

ESG DATA PROVIDER

During 2023, we engaged with an ESG data provider that provides data on portfolio alignment to the UN Sustainable Development Goals and a number of impact metrics. Areas were identified where the quality of the data being provided could be improved so we engaged with the data provider to make amendments accordingly. Furthermore, there is a continued drive to better understand underlying models within systems that can be somewhat “black box”, and encouraged the provider to be as transparent as possible.

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.

In 2023 we adopted a revised approach to engagements across SFIM, focussing on four key themes. Our new approach aims to leverage one or more of the four E's below to benefit current and future internal and external stakeholders, including our clients. It will further enable us to better define, track and progress sustainability related stewardship activities.

01	EXPLORE	Analysts pursue an exploration of a topic with an investee or third party to understand their approach, ambitions or perspective on identified issues.
02	ENCOURAGE	Analysts refer to industry best practice or norms to encourage an investee or third party to consider aligning their practices, in particular where we identify gaps.
03	ENHANCE	Analysts shine a spotlight on topics that may be under the radar, with the aim of knowledge sharing and a subsequent enhancing of practices.
04	EXPERIENCE	Analysts specifically advocate for our clients to ensure their experience is as good as it can be. This can for example be the case with performance fees.

Putting our updated engagement approach to use, we conducted engagements on the four E's with 30+ direct equity holdings, as well as with 15+ of our external managers. We plan to further expand our engagement programme in 2024, starting with a TCFD focussed engagement with all our third party managers in March.

PRINCIPLE 9
PRINCIPLE 10
PRINCIPLE 11

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. Whilst we have not historically disclosed out voting intentions to Management or other shareholders in advance of a vote, even when dissenting, we will do so if deemed necessary.

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

PRINCIPLE 9
PRINCIPLE 10
PRINCIPLE 11

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 investor relations 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. On matters of governance in particular we will write to a Company to explain the rationale of our voting decision, as we did with McDonald's.

UN GLOBAL COMPACT ENGAGEMENT PROJECT

In late 2023 we wrote to all companies then owned in the GBI Fund asking them to respond and explain how they manage their operations to ensure compliance with the UN Global Compact first two principles on human rights. Many of these companies have global supply-chains and we hold them to above average standards of execution to ensure compliance with the principles. Failure to support basic human rights could result in financial penalties, litigation, customer boycotts, product bans, etc., all of which could have a material impact on the sustainable growth and profitability of a company.

Outcome: To date we have had constructive responses from 10 companies and have held follow-up calls with two of these with senior management representation attending. No red-flags have so far been raised. We will continue to engage on this topic throughout 2024, and in particular follow-up with companies that have not yet responded to our initial outreach

SFIM ENGAGEMENT

STONEHAGE FLEMING STEWARDSHIP REPORT 2024

PRINCIPLE 9
PRINCIPLE 10
PRINCIPLE 11

NESTLE

We use RepRisk to screen the companies owned by the GBI Fund for their degree of ESG related risk. Nestle was in breach of our internally set threshold risk level and as such we conducted an ESG led research project into the company. The findings of this research were discussed and debated at our bi-monthly ESG Risk meeting by the full GBI investment team. In this instance much of the controversy related to the environmental issues of: plastic pollution (with Nestle regularly flagged alongside PepsiCo and Coca-Cola as being one of the world's worst polluters) and the use of palm oil in its products (with the associated deforestation and slash and burn practices), as well as social issues concerning labour practices in its coffee and cocoa supply chains.

On completion of the research and team discussion, we wrote to Nestle asking them to explain how they intend to manage and reduce these risks that we perceived to be causing reputational damage (not to mention the negative environmental and social impact).

Outcome: In May 2023 Nestle hosted a call with us including their Head of Investor Relations and Head of ESG Strategy and Deployment, at which we discussed their governance set-up, industry collaboration, incentive alignment their ESG "Cost Equation". Our general conclusion from the discussion was that governance, awareness and action have all improved over the last two-to-three years and there is a clear structure now in place to address any issues that arise as well as pre-empting future issues. Nestle also appears to be pulling/pushing the industry more broadly to follow suit, which is having a wider impact. We continued to own the company in the fund on the basis of this improving trend.

SFIM ENGAGEMENT

PRINCIPLE 9
PRINCIPLE 10
PRINCIPLE 11

MICROSOFT AND ALPHABET

Our RepRisk screening also flagged two of the GBI Fund's largest and longest held investments in Alphabet and Microsoft, for elevated ESG risk. In both instances the risks primarily relate to regulatory investigations in the United States and Europe, and for Alphabet more specifically relating to their share class structure considered to be poor for corporate governance (votes are controlled by the company's founders' Sergie Brin and Larry Page). Again, we conducted focused ESG research, discussed the issues at our bi-monthly ESG Risk meeting and decided to engage directly with both companies via a written letter, seeking details of how the risks are being managed.

Outcome: Given the size of these companies, and our relatively small ownership percentage, we were not expecting a response, however, we were encouraged to see that both companies did indeed respond, albeit with generic answers that did not deviate from previously given answers. This is to be expected given the legal nature of the issues raised.

SFIM ENGAGEMENT

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 one-on-one 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.

STONEHAGE FLEMING STEWARDSHIP REPORT 2024

PRINCIPLE 9
PRINCIPLE 10
PRINCIPLE 11

SHAREHOLDER COLLABORATION IN SUPPORT OF BETTER GOVERNANCE

Managers of our UK focused AIM Fund collaborated with other shareholders at 2 connected holdings where Company A owns a large majority stake in Company B and both are controlled by the same family. In 2023 the founder and Chair passed away and his sons subsequently were appointed, unopposed as cross-Chair and CEO of both companies.

The minority shareholders have been unhappy for some time with the management and governance of both companies.

Outcome: In response the managers collaborated with other minority shareholders and voted against the Board elections at the AGM. Their vote was unsuccessful. The preference was for the appointment of a non-executive Chair to enhance the governance at the companies.

SFIM ENGAGEMENT

Engagement Data Since the end of 2020, we have provided an annual report 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

PRINCIPLE 9
PRINCIPLE 10
PRINCIPLE 11

We provide a 2023 engagement summary below for our flagship strategy run by the GEM team:

Engagement Summary GEM Team

Number of companies owned during the reporting period	31
Number of engagements with Fund holdings excluding AGM and EGM votes	41
Total number of all company engagements by Fund team	52
Number of AGMs voted	27 AGMs, 1 EGMs
3rd Parties providing additional engagement on our behalf	Glass Lewis (on governance and remuneration best practice issues)
Number of AGMs not voted (where eligible)	1 – Nestle
Reasons for not voting:	Prohibitive Swiss rules on custody of holding during vote
Number of companies own 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 events attended	4
Number of broker-hosted Company group meetings attended (% with Senior Management in attendance)	13 (77%)
Number of direct meetings with Company Investor Relations	14 (include with Executives present)
Number of direct meetings with Company Board Members	0
Number of direct meetings with Company Executives	10
Number of formal communications to Companies (letter or email)	30 (26 under UN Global Compact initiative)

Source: Stonehage Fleming Global Best Ideas Equity Fund Voting & Engagement Record 2023

STONEHAGE FLEMING STEWARDSHIP REPORT 2024

PRINCIPLE 9
PRINCIPLE 10
PRINCIPLE 11

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
PRINCIPLE 10
PRINCIPLE 11

EXTERNAL EXPERTISE

Third party Manager Selection — Engagement

As investors with the majority of our capital allocated to third party fund managers, we place an 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 behaviour of our third party managers.

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 are 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.

PRINCIPLE 9
PRINCIPLE 10
PRINCIPLE 11

2023 Topical ESG Engagement

Considering the aims of our sustainable offering, we put a particular emphasis on ESG engagements for this strategy. The ambition being to expand our understanding of third party managers approaches to important sustainability topics and to use our influence to encourage third party managers in which we invest to improve their management of ESG issues. In 2023, we conducted a topical ESG engagement with every manager held in the Global Sustainable Investment Portfolios (**GSIP**). The engagement focussed on the three topics. Nature/TNFD, DE&I and ESG related remuneration, asking managers to provide information on their processes to manage risks and integrate best practice into their operations. It further covered breaches to GSIP specific ESG screening thresholds. Following our initial engagement all managers either provided written feedback on their approaches, policies and processes to managing the three topics or agreed to meet with us to discuss their approaches.

Nature/TNFD

The World Economic Forum has identified in numerous studies that more than half of the Global Gross Domestic product, about $44 trillion, relies to some extent on nature. Similar to climate risks, this poses the question as to how adequately nature related risks are accounted for by the financial services industry.

We asked third party managers to explain and provide examples for the extent to which nature related risks or opportunities have been considered for names in the GSIP portfolio.

It is hard to explicitly name what good practise looks like in this area. Still, we were pleased to see that all managers were acknowledging the importance of understanding nature risks and started thinking about how they can evolve their capabilities in this area. While most GSIP managers do not yet have a clear methodology in place for assessing nature risks, the majority of managers in the portfolio are early adopters of the Task Force on Nature-related Financial Disclosures (**TNFD**) framework.

DE&I

The value of diversity is often underplayed across society, and not least where capital allocation decisions are made. For us, it is important to understand the cognitive diversity present where important investment decisions are made, as well as the policies and processes that enable and facilitate diversity where it can make the most impact.

We asked third party managers what their DE&I practises and targets were and how they monitored them.

Our key finding here was that the portfolio managers we invest with have extensive processes to understand cultures and diversity practises for the companies they invest in, however, there remains a major disconnect with how asset managers themselves have struggled to develop their own initiatives and culture to value these same things. This will be a topic for us to keep monitoring going forward.

PRINCIPLE 9
PRINCIPLE 10
PRINCIPLE 11

Compensation Criteria

Willis Towers Watson's research found that in 2023 77% of major companies across North America and Europe include ESG metrics in their executive incentive plans, which is a significant increase from 68% last year. This is a result of an increasing recognition of potentially significant negative externalities arising if board compensation is solely linked to financial metrics.

We asked third party managers whether this was something they tracked in the companies they invested in and also whether it applied at the board level of the parent companies at their asset manager.

We found a very interesting disconnect here again, in that many portfolio managers engage with their investee companies to scrutinise executive compensation plans to check they are fair and appropriate and increasingly incorporate non-financial metrics or at least some nod to carbon emissions. However, very few of the board members at the parent companies of the funds that we allocate capital to also incorporate ESG metrics in their compensation. We will continue to engage with them in this regard.

Sustainability Exclusions

In line with our new Sustainability Screening and Exclusions policy we further engaged managers where breaches to specified GSIP exclusions thresholds were identified. In total, three managers were engaged relating to holdings with exposure to controversial weapons and alcoholic beverage production. For exclusions screening we rely on Morningstar.

We found that third party managers were actively engaging on this topic, with a keen interest in discussing investments in companies with exposure to controversial activities. Managers either presented to us a clear justification for continued investment or showed an openness to exploring rationales for continued investments and divestments.

PRINCIPLE 9
PRINCIPLE 10
PRINCIPLE 11

Fund	Controversy	Outcome
Japan Equity Fund	Controversial Weapons Manufacturing	The manager provided a convincing argument that the affected holding is not at risk of its products being used to inflict harm to civilians or combatants, as well as to the limited involvement of the company in manufacturing white phosphorous. The involvement is limited to the provision of shells, and not the manufacturing of ammunition itself, with an overall very low revenue share. Further, the product is used by the Japanese Government only, which the manager explained is at very low risk of using the product in any capacity that could result in harm to civilians or combatants.
Global Equity Income Fund	Alcoholic Beverage Production	The manager has sufficiently explained their approach to assessing investee ESG risks, and how the company performs on their internal ESG risk assessment. They elaborated on exemplary investee performance on social, environmental and governance credentials offsetting public health risks resulting from their products. They further presented how investee company product diversification away from high alcohol beverages has contributed to a reduction of negative product impacts.
US Equity Fund	Controversial Weapons Manufacturing & Military Contracting	Regarding controversial weapons exposure the manager presented to us that the company is planning to spin out its division involved in the manufacturing of nuclear weapons. This will remove any exposure to controversial weapons manufacturing in the foreseeable future. They also outlined various strands of engagement on the matter over the past years. Contingent on the investee company changing its business setup, the provided answer is satisfactory Regarding involvement in military contracting, the manager engaged with the investee company. Following that engagement, they convinced us that the investee's exposure to this controversial activity is below our exclusions threshold. The overstating of involvement in controversial military contracting, the manager explained, is the result of all contracts with the US department of defence being tracked as military contracting involvement. The provided answer and outlined engagement process were sufficiently detailed to be satisfactory.

In addition to our topical ESG engagement during 2023, a wide range of engagements across asset classes took place during the year – a number of which were conducted by SFIM and a number by our underlying managers.

PRINCIPLE 9
PRINCIPLE 10
PRINCIPLE 11

SFIM ENGAGEMENTS

VOTING AGAINST ARTICLES CHANGE (EQUITY)

Background	During 2023, we voted against an amendment to the Articles of a Fund. The asset manager was not able or willing to share the details of the amendment for those voting ahead of the meeting. We felt this was not best practice as investors were being requested to vote with insufficient information.
Engagement	Prior to voting against, we engaged with the manager to send round the details on the edits to the Articles that were being proposed. They were unable or unwilling to do this, so we escalated this with a more senior member of the team and asked them to pass our comments onto management.
Outcome	Initial engagement happened in December and was at the end of the reporting period, so was not resolved at the end of the reporting period.

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 originally raised this issue with custodial platforms in 2022 and there was ongoing engagements in 2023, and escalation by involving management in meetings with various platforms. Our objective is to remove the blocks that are being placed on fund votes.
Outcome	Upon triangulating feedback from various providers, it has become clear that this is an industry issue. We have now been sent over more data on which funds are more likely to receive blocks but are not in a place to challenge blocks. Our conclusion is that few other fund holders are active in voting and so this issue is not widely known. We will continue to look for ways to escalate this and reduce the practice of vote blocking.

SFIM ENGAGEMENT & ESCALATION EXAMPLE

PRINCIPLE 9
PRINCIPLE 10
PRINCIPLE 11

MANAGEMENT FEES (PRIVATE CAPITAL)

Background	Through our due diligence process into a US lower-mid market buyout firm headquartered in Miami, we discovered a clause in the fund's legal documentation limiting their management fee offset to 80%, notably lower than the market standard of 100%. This meant the manager profited from 20% of all fees charged to portfolio companies instead of using these revenues to save investors' money.
Engagement	We challenged the senior management team on this matter throughout our diligence process, providing them with feedback from our discussions with the wider investor community in a lobbying effort to convince the manager to reconsider and bring the clause in line with market standards of 100% management fee offset.
Outcome	As a result of the pressure we applied, supported by feedback from other investors, the manager agreed their management fee offset clause was not in line with their peers and they would potentially look to revise the clause to offset 100% of these fees in future funds, aligning them with the market standard.

SFIM ENGAGEMENT & ESCALATION EXAMPLE

PRINCIPLE 9
PRINCIPLE 10
PRINCIPLE 11

THIRD PARTY MANAGER ENGAGEMENTS

GLOBAL HEDGE FUND

Background	We invested into a global hedge Fund which employs a rules-based approach to investing. The Fund employs exclusions to screen for industries with incompatible environmental & social impact. In addition, the management team have an active agenda of engagement with companies with a primary focus on environmental factors such as water security and deforestation. Although active across industries a majority of activity is in the consumer products and retail space. Nestle and Unilever are examples of recent engagement around verification of supply chains.
Engagement	As part of the manager's deforestation workstream they constructed a screening framework for forest commodities and decided to engage companies in the sector on their deforestation certification and targets, readiness for incoming regulation and grievance mechanisms in relation to specific concerns. Focusing on Nestle, they had a series of meetings with members of their team. Those included investor relations, the lead for agronomy and global sourcing, as well as the heads of the coffee and cocoa teams. These have taken place since May 2023 and followed on from an initial contact in April 2023.
Outcome	The manager regards the engagement outcome to have been reassuring; and have a positive view of the measures that Nestle has in place in relation to Agropalma where they have been working with one of their competitors to create an open communication channel with communities. In terms of cocoa, Nestle have increased their traceability back to farm +19% YoY (reporting date October 2023). As a result, the manager does not feel the need to impose escalation measures.

THIRD PARTY ENGAGEMENT EXAMPLE

STONEHAGE FLEMING STEWARDSHIP REPORT 2024

PRINCIPLE 9
PRINCIPLE 10
PRINCIPLE 11

GLOBAL INVESTMENT GRADE MANAGER

Background	Teleperformance is a global digital business services company offering artificial intelligence (AI), back-office processing, finance, accounting, consulting, and health care support services. The fixed income investment platform engaged with representatives from the company ahead of a new issuance in November 2023, to better understand the outcome of an investigation into their Colombian call centres in 2022 that caused a material sell-off in the stock and bond spreads. A government probe was triggered following media reports of poor working conditions, low pay, extensive worker surveillance, and anti-labour union practices.
Engagement	During the dialogue, management informed the manager that they had signed an agreement that guaranteed its 40,000 workers in Colombia the right to form a union. The agreement, signed earlier in the year (April 2023), had been described by the UNI Global Union as "a global model of how unions and companies can work together to ensure the protection of workers' rights, the generation of decent and quality employment and social dialogue." However, the company refuted the other allegations, citing audits which cleared them of any wrongdoing. The firm stated that it has more advanced employment characteristics relative to peers, with all employees on contracts, in a country where half the workforce is not on any contract at all.
Outcome	After the call, the manager's view on Teleperformance was more constructive, as the investment team view the new union agreement as a positive development and believes broad labour practices may not be as negative as the media has portrayed. However, the investment team will continue to monitor developments on the labour front at Teleperformance and adjust its assessment as appropriate. As the manager was able to gain some comfort on social issues because of the discussion, its investment team participated in the new issuance for select investment grade strategies.

THIRD PARTY ENGAGEMENT EXAMPLE

PRINCIPLE 9
PRINCIPLE 10
PRINCIPLE 11

GLOBAL INVESTMENT GRADE MANAGER

Background	Volkswagen (VW) is a German auto manufacturer and one of largest automotive companies in the world by revenue and number of vehicles sold. Towards the end of 2022, there were allegations of forced labour of Uyghur minorities at the SAIC Volkswagen (Xinjiang) Automotive plant, a joint venture the company is involved in with China. Such allegations led to the external ESG vendor subscribed to by the manager's fixed income platform assigning VW a 'red' flag controversy status, and deeming it to be non-compliant with the UN Global Compact principles. The manager looked into the allegations, including hosting a call with the company's investor relations representatives. The net result of the call, in which the company was not fully able to provide credible assurances against such allegations, was a decision to revise VW's Fundamental ESG (Risk) Rating (which the manager assigns to issuers) from a 'high' to a 'very high'. This change, along with the ESG vendor's UN Global Compact non-compliance status, resulted in a requirement for the manager's investment platform to divest investments in select ESG-orientated strategies where these were explicit exclusion criteria thresholds.
Engagement	Since then, the manager's investment platform has continued to monitor and engage with VW. VW then issued a press release announcing results of an independent audit it commissioned by the company, which was coordinated by a German human rights due diligence firm (using a local Chinese law firm), which found "no indication or evidence of forced labour among the employees". The manager's investment team held a call with VW following news of this to gain further details of the audit, and to determine whether the latest information was sufficient to trigger a revision of the Fundamental ESG (Risk) Rating.
Outcome	VW explained that the firm chosen to conduct the audit had experience undertaking such audits on human rights and had links to the region, and that the audit had been conducted in line with international social audit standards (the SA8000 standard). While this is true, the scope was narrow and limited and the plant had prior notice that the audit would be carried out. The manager was also informed that it was not possible to publicly discuss the full findings due to the sensitive nature of the information. The manager's investment team's view following the call is that while the commissioning of the independent audit was a positive development, the team was disappointed the company did not take the opportunity to carry out a more extensive review or share more substantial findings. However, the team concluded it had gained sufficient comfort from the audit to move the Fundamental ESG (Risk) Rating from 'very high' to 'high', but to monitor this closely and keep some investment restrictions in place for select ESG-oriented strategies. Such a move resulted in select developed market fixed income strategies run by the manager reinvesting in VW as it is a highly cash generative index constituent. Nevertheless, the manager will continue to closely monitor and engage with VW on this matter.

THIRD PARTY ENGAGEMENT EXAMPLE

PRINCIPLE 9
PRINCIPLE 10
PRINCIPLE 11

GLOBAL FIXED INCOME MANAGER

Background	This engagement was conducted by one of our fixed income managers and is not fund specific. Enel Green Power is a Green energy company with clear renewables and execution divestment plan. They have also been a Sustainability Linked Bond (SLB) issuer in the past.
Engagement	The manager engaged with Enel's human rights, legal, and investor relations teams on recent controversies related to indigenous rights in the company's renewable projects in Colombia. The manager also inquired about current cultural sensitivity documents and suggested enhancing board oversight for controversies.
Outcome	As part of the engagement, they discussed setting up an action plan to address current disputes at Windpeshi Wind Farm Project and El Quimbo Hydroelectric Project in Huila, including requiring a summary of the intercultural manual developed by Enel. The manager continues to monitor this closely and will continue to engage with Enel on this subject.

THIRD PARTY ENGAGEMENT EXAMPLE

GLOBAL PRIVATE CAPITAL MANAGER

Background	One of our private capital managers has an annual 'ESG Diagnostics' tracker (measuring 188 metrics) which requires each company it is invested in to measure their Greenhouse Gas (GHG) emissions as well as provide a list of all their policies, procedures and initiatives relating to ESG. Based on this information, the manager provides all companies with an ESG score ranging from 1 to 10. From this process it became clear that team.blue, a leading European provider of mass hosting services to small/home offices, had higher than preferable emissions given the breadth of its policies and operations.
Engagement	The manager engaged with team.blue to address this issue, by firstly developing a more comprehensive ESG strategy with the company, before putting in place policies that introduced board accountability for ESG performance and ESG KPIs for management's incentive plans.
Outcome	The process is ongoing and the company is yet to re-record its GHG emissions. However, team. blue has since set targets for the percentage of its energy usage that will come from renewable sources and has started to develop a strategy that will allow it to become net-zero in the future.

THIRD PARTY ENGAGEMENT EXAMPLE

PRINCIPLE 9
PRINCIPLE 10
PRINCIPLE 11

GLOBAL EQUITY FUND

Background	Bakkafrost is a fish farming company based in the Faroe Islands. It is involved in all areas of sea farming from harvesting fish to salmon roe and has a $3.5bn market cap. One of the key goals of the company is to keep fish clean and healthy as during the transportation process from sea pens to land, they have to de-lice the fish. They are looking to use nature-based solutions to resolve this rather than chemicals, which is the area the manager has been engaging on.
Engagement	The manager has been engaging with the company on how it is using cleaner fish as a nature-based solution to resolving the lice issue. They also use mechanical cleaning and there are ongoing discussions as to how to improve things and measure success in this regard.
Outcome	This is an ongoing issue which will take some time to improve and resolve, however, the company is actively pursuing solutions. The manager will ask the company again about this in June 2024 at the Capital Markets Day.

THIRD PARTY ENGAGEMENT EXAMPLE

PRINCIPLE 9
PRINCIPLE 10
PRINCIPLE 11

GLOBAL EQUITY FUND

Background	TSMC is the largest global manufacturer or semiconductor chips with a $530bn market cap. It uses water and biodiversity audits to better assess companies' environmental impacts beyond carbon emissions.
Engagement	The manager conducted biodiversity and water audits of the portfolio during 2022. The biodiversity audit was valuable in understanding how companies are starting to report in this nascent area and in total 10 companies in the portfolio mention their relationship with nature in their reporting. As reporting on water use is far more developed, they used it as a proxy to identify companies exposed to biodiversity through their relationship to the water cycle. They are seeing Mean Species Abundance over Km2 (MSA.Km2) being adopted as a standardised unit to measure biodiversity impact, just as CO_2e is for climate change.
Outcome	The results from the water audit showed that TSMC's high water usage may equate to high impacts on biodiversity. In correspondence with TSMC over the year, they learned of its plans to construct water reclamation plants in Taiwan, which will reduce its water withdrawals from nature. TSMC opened the Tainan Science Park Reclaimed Water Plant — Taiwan's first privately-operated water reclamation plant — it became operational in September 2022 and began recycling industrial wastewater produced in the Southern Taiwan Science Park into reclaimed water for advanced semiconductor processes; this was a first for the global semiconductor industry. The Company is exploring the concept of being water-positive in the future.

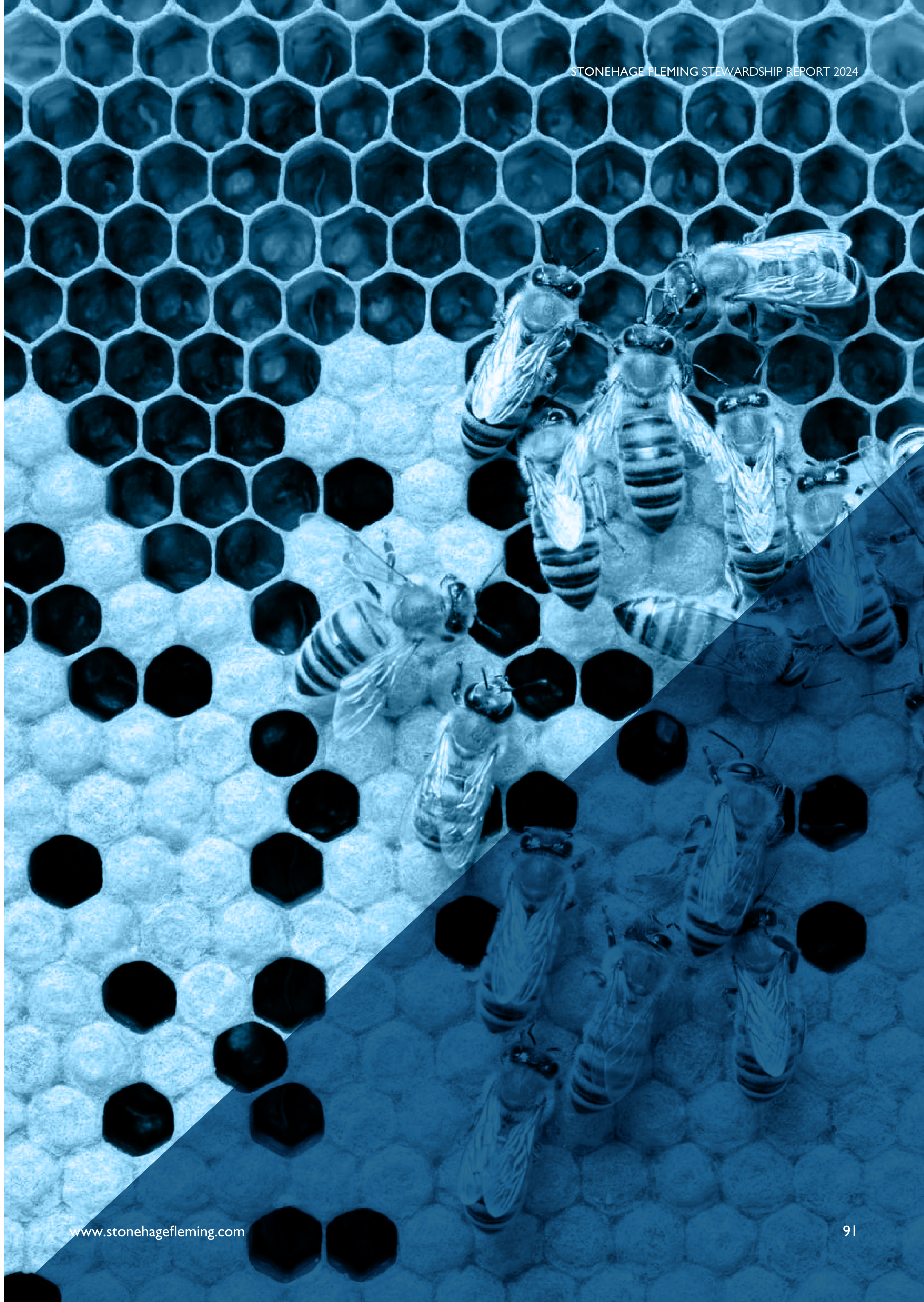
THIRD PARTY ENGAGEMENT EXAMPLE

GLOBAL EQUITY FUND

Background	Thermo Fisher Scientific Inc. is an American supplier of analytical instruments, life sciences solutions, specialty diagnostics, laboratory, pharmaceutical and biotechnology services. The company as a $213bn market cap. The manager wanted to understand the extent to which Thermo Fisher works with the Chinese government, how easy it is to misuse the company's products and have a high level of certainty as to whether or not this was happening.
Engagement	In 2022, reports based on Chinese government documents revealed Chinese police were engaging in mass DNA collection in Tibet, and they had purchased equipment from Thermo Fisher. Since then, the company has faced pressure to cease sales of its products in Tibet. In June 2023, we engaged with Thermo Fisher to discuss this issue in more detail. The manager learnt that the technology utilised by Thermo Fisher's DNA analysis products, can be used to assess whether DNA matches a known DNA sample in an existing DNA database, but cannot be used to identify a sample's ethnicity or other physical characteristics. Accordingly, while the STR DNA products can be used for criminal or case work purposes, they cannot be utilised for surveillance purposes, or to identify or profile ethnic minority populations. The company did admit that they could be used in conjunction with other products to give a reasonable answer on race, hence the importance of monitoring sales. Thermo Fisher explained that China is a small portion of their business with very little transactions. Despite this, distributors must provide end user data, which the company audit. Thermo also do high level checks, such as triangulation of crime rates and population size, which gives a gauge of how many units should be sold. If units sold materially differs from amount sold, then it would inevitably flag on their system.
Outcome	The manager were left comfortable that Thermo Fisher are doing everything they can to ensure the product is not misused and more importantly that the alleged misuse would be very hard to achieve. They did, however, express that if the company did not have complete confidence that the product was being misused and/or if there were further allegations, it would be their expectation that products were no longer sold in the effected region. They were pleased to see news released in January 2024 stating that Thermo Fisher has now halted sales of DNA collection kits to Tibet.

THIRD PARTY ENGAGEMENT EXAMPLE

STONEHAGE FLEMING STEWARDSHIP REPORT 2024



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 from 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.

Our voting statistics for the period are shown on page 93. 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.

PRINCIPLE 12

Voting Statistics for the Reporting Period

Number of meetings we were eligible to vote at	27 AGMs
Number of resolutions we were eligible to vote on	513
% of resolutions we voted on for which we were eligible	94% Voting for Swiss domiciled companies requires us to temporarily cede custody of our shares in those companies, during which time we lose our ability to trade in them. As such, and in order to maintain full liquidity at all times, in 2023 we did not vote on a Swiss holding of the Fund. This one company accounted for 6% of all resolutions we are eligible to vote on.
Of the resolutions on which we voted, the % we voted with management	85%
Of the resolutions on which we voted, % we voted against management	15%
Of the resolutions on which we voted, % we abstained from voting	0%
% of meetings where we voted at least once against management	59%
% of resolutions where we voted against the recommendation of our proxy adviser	8%
% of votes in line with result	86%
% of votes on Governance (and % supported)	11% (74%)
% of votes on environmental and social issues (and % supported)	8% (18%)
% of votes being shareholder proposed (and % supported)	12% (29%)

Source: https://cdn.io.stonehagefleming.com/craft-cms/investmentManagement/Stonehage-Fleming-Global-Best-Ideas-Equity-Fund-Voting-and-Engagement-Record-2023.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.

MOST SIGNIFICANT VOTES	VOTE 1	VOTE 2	VOTE 3	VOTE 4	VOTE 5	VOTE 6
Company name	LVMH	Colgate-Palmolive	Edwards Lifesciences	AIA Group	Amazon	Nike
Date of vote	20 Apr 2023	12 May 2023	15 May 2023	18 May 2023	24 May 2023	12 Sep 2023
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	Re-election of Lorrie Norrington to the Board	Vote on exculpation of Officers personal liability for legal breaches	Re-election of Edmund Tse and Jack So as Independent Directors	Shareholder proposal for report on gender and racial pay data	Shareholder proposal for Supply Chain Management Report
Management recommendation	For	For	For	For	Against	Against
Proxy vote advisor recommendation	Against	Against	Against	Against	Against	Against
How we voted	Against	Against	Against	Against	For	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 defence of shareholder rights	In defence of shareholders' right to hold managers to account	Excessive tenure (>12 years)	To promote wider adoption of pay equity	Improve understanding of supply chain risks
Outcome of the vote	All for (all <80%)	For (90%)	For (81%)	For both, 87% and 88% respectively	Against (71%)	Against (88%)
Implications of the outcome	None, due to management control	Elected	Rights diminished	Elected	Alternative report available	Unknown
Criteria on which vote classified "most significant"	2, 3, 5	2, 5	2, 5	2, 3, 4, 5	3, 4	3

PRINCIPLE 12

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 honesty 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 as at the most recent voting data collection point.

	% of equity exposure	% of resolutions voted on
Fund 1	15%	99%
Fund 2	15%	94%
Fund 3	10%	98%
Fund 4	10%	100%
Fund 5	7%	98%
Fund 6	7%	100%
Fund 7	6%	94%
Fund 8	5%	98%
Fund 9	5%	93%
Fund 10	5%	99%
Fund 11	4%	100%
Fund 12	3%	100%
Fund 13	3%	97%
Fund 14	2%	99%
Fund 15	2%	100%
Fund 16	2%	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 2023. Full details yet to be compiled for year end 2023 voting statistics.

In addition to the voting conducted by the fund managers 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 voted against a resolution to amend the Articles of a Fund without the proper detail on the matter. We did this on behalf of ourselves and all other fund investors looking to vote in advance of the meeting.

GLOSSARY

BREEAM	Building Research Establishment Environmental Assessment Method
DE&I	Diversity, Equality & Inclusion
ESG	Environmental, Social and Governance
FCA	Financial Conduct Authority
GBI	Global Best Ideas Equity Fund
GEM	Global Equity Management
GinExCo	Group Investment Management Executive Committee
GRIF	Global Responsible Investment Fund
GSIP	Global Sustainable Investment Portfolios
RBG	Responsible Business Group
SEC	Securities and Exchange Commission
SFIM	Stonehage Fleming Investment Management
SISC	Stewardship and Investment Sustainability Committee
TCFD	Taskforce for Climate Related Financial Disclosures
TNFD	Taskforce for Nature Related Financial Disclosures
UN PRI	United Nations Principles for Responsible Investment
UN SDGs	United Nations Sustainable Development Goals

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