RATHBONES | Incorporating Investec Wealth & Investment (UK)

Investec Wealth & Investment Limited

2023 Stewardship Code Report

This report covers activities between
1 April 2023 and 31 March 2024

Investec Wealth & Investment (UK) is a trading name of Investec Wealth & Investment Limited

In September 2023, Investec Wealth & Investment Limited (IW&I) became part of the Rathbones Group, bringing together two trusted and prestigious UK wealth management businesses with closely aligned client-centric cultures and operating models, creating the UK's leading discretionary wealth manager.

Together, we believe that our focus on the long term enables us to build value for our clients, whilst making a wider contribution to society. We have a clear understanding of who we are as a business and are committed to investing for everyone's tomorrow. This means understanding the environmental, social and governance (ESG) issues that matter to both our stakeholders and to our business, and climate risks are at the forefront of this.

The combination deal closed in September 2023, meaning that for the first half of the period covered by this report, IW&I was part of the Investec Group and for the final six months, IW&I was part of the Rathbones Group.

Since the combination, Rathbones and IW&I have continued to work collaboratively on integration planning. IW&I forms a significant part of the enlarged Rathbones group. Our future focus has moved to integration and delivering benefits to clients, employees and shareholders. This integration work applies to our mutual stewardship capacities. However, since the transaction was only completed halfway through the reporting period for the Stewardship Code statement as designated by the FRC, Rathbones Group and IW&I have been advised to submit two separate reports for the period April 2023 to March 2024.

This is IW&I's fourth UK Stewardship Code report. We expect future submissions to be from the enlarged Rathbones Group, comprising the pre-transaction Rathbones Group and IW&I.

Contents

Preface

This report refers to Investec Wealth & Investment Limited as “IW&I” and Investec plc as “Investec”. References to the ‘combination’ are to the combination deal in September 2023, whereby IW&I became part of the Rathbones Group.

This document aims to report on each principle such that it captures any changes in the organisation before and after combination. Since the integration is in progress and we remain in parallel run, some processes remain unchanged, and so no changes have been highlighted between the pre- and post-combination states.

PRINCIPLE 1

Our purpose, 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.

1.1 Our purpose

Rathbones Group's purpose is to think, act and invest for everyone's tomorrow. This not only shapes what we do but also how we do it. It is woven throughout our business strategy and values, recognising that this approach is core to our day–to–day decision-making.

IW&I were driven by a similar purpose prior to the combination in September 2023; Investec Group's purpose is to create enduring worth, living in society, not off it.

1.2 Our mission

Investec Wealth & Investment is a wealth manager driven by commitment to our core philosophies and values. We deliver exceptional service to our clients, striving to create long-term value for all our stakeholders and contributing meaningfully to our people, communities and planet.

1.3 Our values and culture

Crystallised in four specifically described values, our culture underpins everything that we do. It guides our behaviour towards all stakeholders – our colleagues, our clients, our counterparties and our communities.

Investec Wealth & Investment Limited have seven culture statements:

1. Leadership

Leadership is about empowering colleagues, giving them autonomy to act, and removing obstacles to enable them to thrive. We all lead in different ways, it is not just about managing people or teams.

2. Belonging, inclusion and diversity

We are all responsible for creating an inclusive environment where colleagues and clients feel free to be themselves. Diverse talent and listening to different voices are key to outstanding performance.

3. Client focus

Client focus is part of the fabric of our organisation. We need to be global in our thinking and local in our actions – "Glocal". We leverage both regional and global expertise to deliver an exceptional client experience.

4. Collaboration and communication

We value collaboration within Investec and beyond, and expect our colleagues to share ideas, networks and relationships. Whether in person or virtually, dialogue in the decision making process enables full participation, open communication, and builds trust.

Our purpose, strategy and culture

5. Business growth and performance

We have a strong, sustainable growth culture, with our colleagues, clients and communities at the heart of everything we do. To be truly commercial we must create value for all three.

6. Adaptability and change

To be successful and relevant for our clients and ourselves, we have to listen, change and respond. We expect all colleagues to challenge the status quo.

7. People development

All colleagues can access energising development opportunities. Progress is free from the constraints of job titles and learning occurs in every part of our work.

We are a people business. Crucial to our culture is a flat organisational structure, which provides access and opportunity for all colleagues to perform in exceptional ways. This creates a positive environment, where people find it easy to build relationships that enhance their contribution to the organisation.

We have a focus on internal mobility and strive to advertise all roles internally first before going external to support a transparent process for all employees.

We believe our culture supports good stewardship in the following ways:

- Leadership is not limited to managing people or teams. Everybody is empowered to take responsibility for their actions and is expected to be responsible stewards of investments we hold on behalf of our clients.
- Our people work in an environment where they feel safe to ‘speak up’ when decisions or actions may not be aligned to our Purpose and Sustainability goals.
- We listen to different views and opinions as part of the investment process, which makes for better long-term decision making when it comes to investment selection and voting.
- We actively develop our people and invest in learning, enabling all to increase their knowledge in the areas of ESG and sustainable finance.
- Decision making is client-centric and is aligned to their best interests and investment goals.
- We exist as part of a wider group; we use this network to increase our learning and understand the full possibilities in the space of sustainable finance.
- We will collaborate, when necessary, with third parties when voting to ensure the best outcome for our clients and communities.
- We select investments not just based on recent financial performance but on the basis that they can deliver sustainable growth or income performance.
- We adopt an agile mind-set which allows us to respond quickly to the changing external environment and make changes to our portfolio composition.
- We expect all colleagues to challenge the status quo, including long standing norms as part of our investment process.

Our purpose, strategy and culture

1.3.1 Belonging, inclusion and diversity (BID) initiatives:

- To inspire and support our people to have courageous conversations around diversity and inclusion, post-combination we have eight employee networks and have a learning offering which enables our people to understand their own biases and to appreciate and celebrate the richness of our diverse people. These networks were launched in the combined business in January 2024:

Abilities Count	Armed Forces Network	Gender Balance	Take a Moment to Pause
Generations Network	Multicultural Network	Pride	Social Mobility Network

We celebrate the individuality of our people, partners and clients. We believe that a diverse and inclusive workforce is essential for us to innovate, adapt and prosper in a fast-changing world. This understanding also enables us to adequately service the personalised needs of our clients.

BID initiatives that ran prior to the January launch of the new, combined networks, are outlined below:

- The Gender Balance, Multicultural and Pride networks were already in operation prior to the combination; they provided regular feedback and initiated discussions on topics including: 'how to unlock opportunities through inclusive leadership', 'the power of Pride', 'the power of togetherness', 'a network of possibilities: changing the status quo' and a global panel discussion on International Women's Day on 'breaking the bias'.
- The BID Allies Programme helped employees to become proactive allies for minority groups across the business. It includes topics such as: power and privilege, inclusive language, micro-aggressions, courageous conversations and challenging exclusion. Nine cohorts have completed the programme since inception, including 112 colleagues from the Wealth business.
- The Zebra Crossing programme was a learning journey that aimed to raise levels of BID awareness by helping people to recognise, understand and appreciate difference. From April 2023 to March 2024, 89 Investec Wealth & Investment employees completed the programme.
- Team workshops across the organisation focussed on how to create an inclusive environment.
- The Returnship programme across Wealth and Bank was a source of hiring female talent.
- Neurodiversity guidance and information for all employees and managers, and an established neurodiversity working group who discuss actions we can take as an organisation and raise awareness.
- Five IW&I colleagues were also part of the 30% cross-mentoring programme over the last year. Key learning outcomes for the mentoring programme were:
  - Develop skills, knowledge and confidence through human relationships
  - Develop leadership skills during times of transition
  - Mentees are supported in taking control of their own careers through inspiration, support and guidance
  - Connect with a community of mentors and mentees as well as exposure to a global network
- We made available video recordings discussing inclusive language within sexuality and gender, neurodiversity, disability and race and culture, to help aid people's understanding of inclusive language within BID.
- The Investec Wealth & Investment BID working group was a place to listen, collect and understand information, until the combination. The group regularly interacted to discuss belonging, inclusion and diversity and maintain an understanding of the BID culture within Wealth & Investment. The group's purpose was to foster a network of people, create a two-way dialogue with that network and communicate to the Executive Committee (ExCo) on matters relating to BID.

Our purpose, strategy and culture

Gender Diversity

From 1st April 2023 to 31 March 2024, in IW&I, 50% of new hires were female, a marked improvement from last year (c.30%). 47% of senior hires were female, where "senior hires" are defined as top quartile earners. Notable female senior appointments were made into the roles of Head of People Services and Head of Reward.

We are proud that IW&I's overall workforce is 47% female. C.20% of our senior roles are filled by females and we continue to work towards gender equality at all levels.

Ethnicity

As signatories to the Race at Work Charter in 2020, we are focused on the development of people of colour. Having undertaken a drive to collect employee data on ethnicity in 2021, we are pleased to report that our current disclosure rate for ethnicity is 83%.

From 1st April 2023 to 31 March 2024, in IW&I, 18% of overall new hires and 24% of senior hires were from Black, Asian or Minority Ethnic backgrounds.

1.3.2 Embedding Leadership

We invest in the development and upskilling of our employees and in leadership programmes, to enable the growth of current and future leaders across the organisation. Employees are encouraged to be the driving force behind their own development and be proactive in identifying and addressing their development needs. This allows them to maximise informal and formal learning opportunities which are most relevant to their unique requirements and context.

Developing Team Leaders (DTL)

DTL is designed to empower new, current and emerging leaders by providing them with practical skills and new approaches critical to managing and leading a team.

In this reporting period, 33 IW&I colleagues have taken the DTL course.

Key learning outcomes:

- Enable team leaders to develop key skills needed to effectively manage self, others and the business
- Create a reflective space for team leaders to enhance their self-awareness and promote individual development
- Facilitate the development of strong internal networks across the IW&I organisation
- Develop a peer-to-peer coaching network.

Our purpose, strategy and culture

1.4 Our strategy

At Investec Wealth & Investment Limited, our strategic goals are based on the aspiration to be recognised as a distinctive wealth manager, delivering an exceptional service for our clients. We work closely with clients to offer a bespoke wealth management service, helping to deliver optimal returns on their investments and bring financial peace of mind.	**Both Rathbones Group and Investec Group Annual Reports make clear the importance of sustainability for our strategy: we are committed to delivering on our mission to give exceptional service to our clients, creating long term value for our shareholders, and contributing meaningfully to people, communities and the planet. We will invest responsibly on behalf of those clients, with ESG considerations integrated into our investment process and active engagement with the businesses we invest in.**

1.5 Our investment beliefs

Our purpose forms the foundation of our choices around stewardship, investment strategy and decision making. We have a responsibility to preserve and grow the wealth that is entrusted to us over the long term, and we understand that we need to do this by investing responsibly on our clients' behalf.

Our investment beliefs are embodied in our investment philosophy and our investment process. Both explicitly prioritise the highest standards of Stewardship and Governance and implicitly thereby recognise our role as investors in allocating capital and exercising our oversight obligations to those standards.

Our purpose forms the foundation of our choices in IW&I; it is reflected in our Voting Principles and Thematic Engagement Priorities. These will, in turn, shape our activity over the coming year. They can be found in our Stewardship Policy, on our website: https://www.investec.com/en_gb/wealth/private-clients/about-us/responsible-investing-approach.html).

1.5.1 Our investment philosophy

- We have a holistic philosophy which is based on the belief that there are a number of ways we can generate returns for our clients by applying a thoughtful and distinctive research process.
- The majority of our research effort focuses on high quality businesses that are well managed and have strong cash flow generation characteristics, where we believe that the superior risk adjusted returns these companies should create over the long-term are a good match to our clients' required outcomes. We will find these companies directly through individual bonds or equities, or through a collective investment provider where we believe our interests and philosophies are aligned, and they will form the core of our clients' portfolios.
- In addition, we believe that we can use our research resources – both in strategy and investment selection – to identify additional opportunities for return generation or risk management. Where we identify an emerging theme, a tactical opportunity, or a mismatch in market expectations, we have the ability – through our fund selection capability – to identify fund managers who are best placed to take advantage. Equally, we use this resource to give exposure to Alternative funds, which can use derivatives-based and higher-turnover strategies.

Our purpose, strategy and culture

1.5.2 Our investment process

- Our Capital Markets Assumptions (CMAs) reflect our views on expected market returns and volatilities on a ten-year view. They are the initial building blocks for the development of our strategic asset allocation, which forms the foundation of our illustrative portfolios and is used to construct reasonable risk and return expectations for our clients. In 2022/23 we made significant improvements to our sustainability inputs into the yearly CMA work, which incorporated consideration of the effects of climate change. The Environmental Research Group findings were considered by the Investment & Research Office strategists as part of the CMA process. This 2023/24, the CMAs were devised the jointly with Rathbones Group. The final combined CMAs for 2024, factor in MSCI's "Implied Temperature Rise" scores.
- We recognise that the global climate and economic systems are highly complex, are increasingly affecting each other and that the time available to mitigate the worst impacts of climate change is short. Within this context, any attempt that we make to integrate climate change and its impacts into macro variables such as inflation or growth and into sector level earnings impacts may seem somewhat reductionist. Viewing climate change through traditional lenses such as growth and inflation and reducing it to simple measures of average global temperature change will miss many of its wider impacts including those on inequality and society. We are at an early stage in our integration of climate factors into the foundation building of our portfolios utilising, as best we can, both industry and academic research and hope to build our capabilities in and understanding of this complex task in the future.
- Our investment process starts with our strategic allocations, which are determined by our Capital Markets Assumptions work. Risk appetite views are then given by the Global Investment Strategy Group, which meets quarterly, and is comprised of members of Group investment teams from the UK, Switzerland, and South Africa. This committee decides the overall risk tolerance on an 18-month to 3-year view and provides guidance and input on macroeconomic matters. The outputs of this committee are then fed into the Asset Allocation Committee, which determines the optimal tactical positioning against our set of strategic allocations. Finally, a set of investments are determined to populate our range of model portfolios which are aligned with these views. ESG and Sustainability factors are considered as part of the decision-making process.
- Each of our asset classes has a differentiated research strategy, given the analysis requirements of each one. Our direct equity and fixed income (credit) research is quality and cashflow focused and incorporates ESG factors in a four-stage model as part of fundamental research. Our collectivised funds – which includes equity, fixed income, and alternatives options – are assessed according to a qualitative framework (the APPROVED process) which focuses on the quality of the management team and their execution and involves ESG analysis as one of the determinants of this quality.
- ESG and Stewardship in our process is specifically designed to align with our core purpose. We believe ESG matters bear directly upon the sustainability of a business – i.e. the ability to generate benefits for stakeholders, remain economically healthy, and deliver consistent returns.
- Please find a summary of our governance framework and ESG policies for each of the main asset classes in Principle 7.

Our purpose, strategy and culture

1.6 Our sustainable finance strategy

We have a responsibility to preserve and grow the wealth that is entrusted to us over the long term, and we understand that we need to do this by investing responsibly on behalf of our clients.

In 2021, IW&I developed and formalised our Sustainable Finance strategy, which has a set of aims that directly follow our purpose and investment beliefs.

This includes the following:

- Be active owners and conscious stewards of our clients' capital, to engage with investees to drive positive change.
- Manage risk holistically - understanding that emerging ESG risks become financial risks and should be incorporated within fundamental analysis when making decisions.
- Invest in human capital in such a way as to create a generation of leaders that understand sustainability.

1.7 Serving the best interests of our clients

We strive to put our clients at the centre of all decision making. We believe that our Stewardship activity serves clients' long-term interests by ensuring that our investee companies are creating long-term shareholder value, through their management of environmental, social and governance-related risks and opportunities. Our Full Year 2023 Stewardship Report and the contents of this report outline our extensive efforts in this space over the reporting period; we therefore believe we have been effective in serving the best interests of clients over this period.

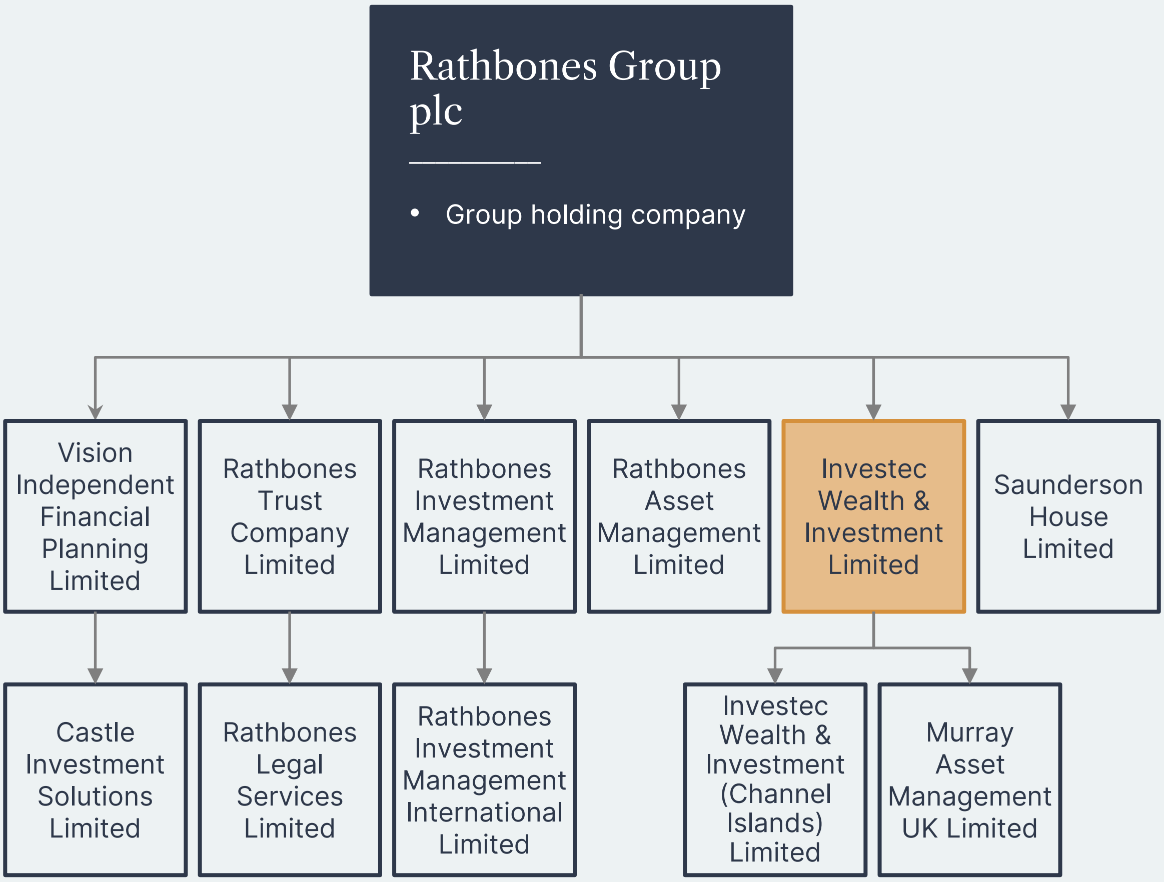
PRINCIPLE 2

Our governance, resources and incentives to support stewardship

Signatories' governance, resources and incentives support stewardship.

2.1 Our shareholders

Investec Wealth & Investment (UK) became part of Rathbones Group Plc in September 2023 via an all-share combination with Rathbones Group Plc. Under the terms of the Combination, Investec Group now has an economic interest of 41.25% in Rathbones' enlarged share capital and 29.9% of the Rathbones enlarged ordinary voting share capital. This section outlines the governance framework in place since early January 2024.

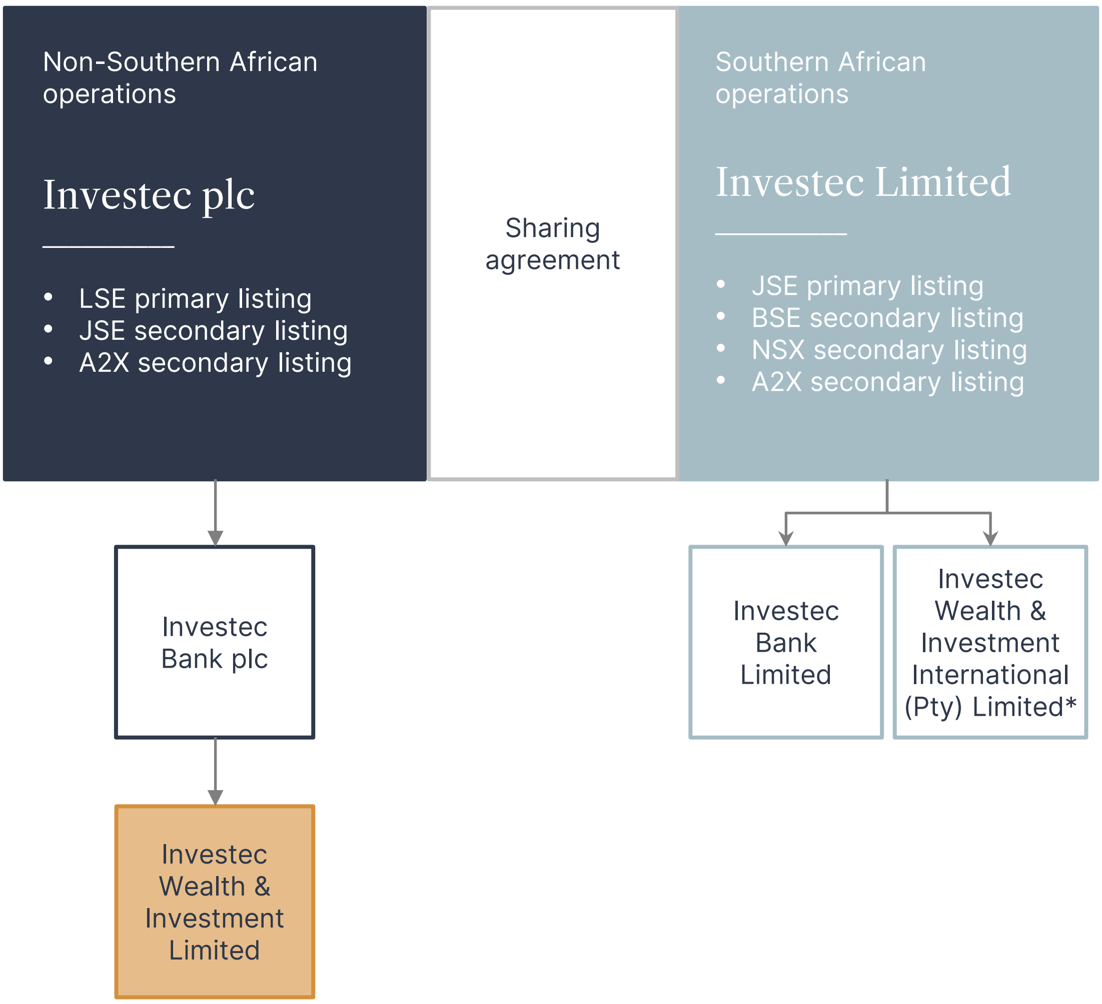


Our governance, resources and incentives to support stewardship

Signatories' governance, resources and incentives support stewardship.

Prior to the combination in September 2023, Investec Wealth & Investment Limited (IW&I) was part of the Investec Group and was a wholly owned subsidiary of Investec Bank plc, which was in turn a subsidiary of Investec plc. Investec plc operated co-operatively, through a sharing arrangement, with Investec Limited, which owned the Group's South Africa operations. The Dual Listed Company (DLC) structure is set out below.

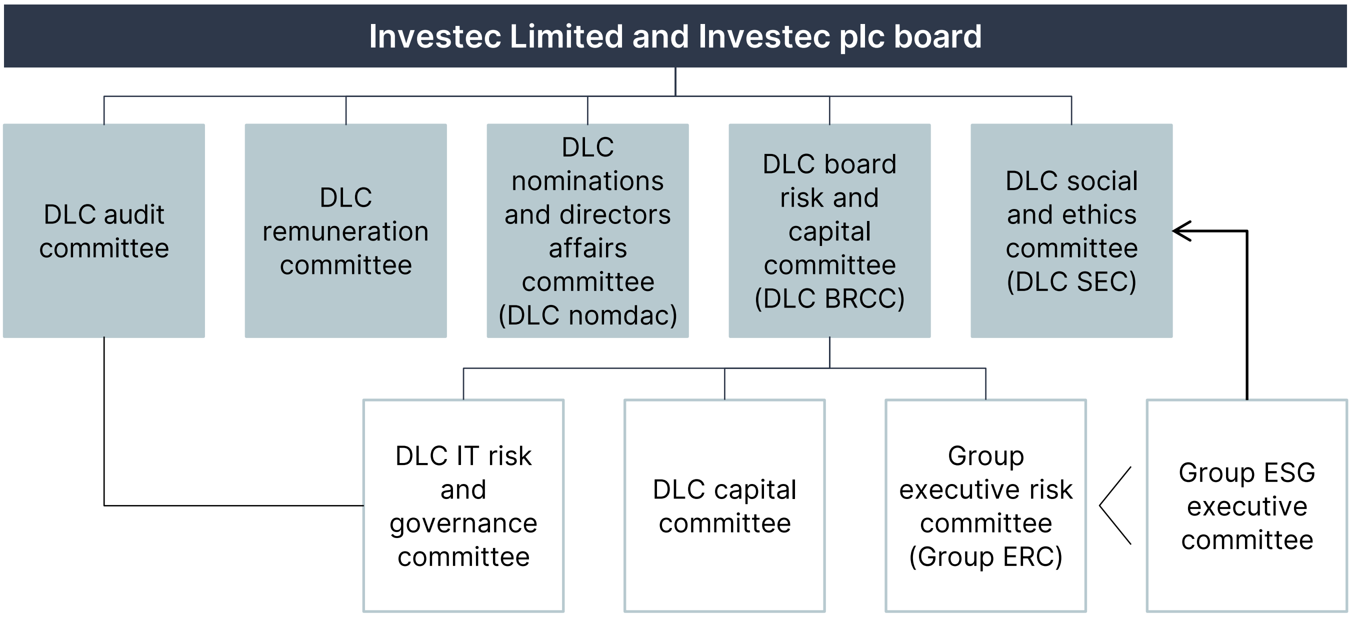
Our DLC structure and main operating subsidiaries



*Houses the South African Wealth & Investment business.

Our governance, resources and incentives to support stewardship

2.2 Investec plc governance



Investec plc governance applied to IW&I until the combination in September 2023.

In addition to the board committees, highlighted in grey above, further Investec Group risk committees and forums existed to support them in their objectives.

As a function of its South African heritage, Investec Group policies on sustainability, diversity and inclusion and the governance structures around them were long established. The Investec Group has compiled and published reports on our performance from a sustainability perspective for more than 20 years. The most recent is available on our Group website (https://www.investec.com/en_za/welcome-to-investec/sustainability.html).

Our policies and practices were therefore part of our DNA and as such were not only endorsed but promoted at the highest executive level.

At the Investec Group level, two committees oversaw our corporate sustainability and ESG integration, including stewardship. The DLC Social and Ethics Committee (DLC SEC), a sub-committee of the board, monitored our progress in terms of ESG matters and in terms of advancing the UN Global Compact's ten principles with respect to business and human rights, labour, environment and anti-corruption. The Group ESG Executive Committee, mandated by the group's executive directors, reported relevant ESG matters to DLC SEC and the Group Executive Risk Committee (ERC).

The ESG Executive Committee was mandated to:

- Align and integrate sustainability activities across the organisation while focusing on the many business opportunities within Investec's priority SDGs.
- Escalate significant matters for consideration by the Investec Group's respective committees and leaders.
- Provide feedback to the business on emerging sustainability issues.
- Identify and communicate to the relevant forums any relevant external issues that could adversely affect the organisation's reputation and business.

Our governance, resources and incentives to support stewardship

Sustainability matters that the Committee considered and discussed include the following:

- Social issues including:

Philanthropy

Corporate Social Investment (CSI)

Belonging, Inclusion and Diversity (BID)

- ESG risk screening within our business activities.
- Sustainability opportunities within our business activities including sustainable finance
- Our approach to the Sustainable Development Goals and our alignment to the goals.

Sustainability and good stewardship of our client's assets are at the heart of the business and were fully endorsed by the parent company of IW&I, both before and after the combination in September 2023.

Our efforts from the past 20 years of positioning Investec as a responsible corporate were recognised through our inclusion in a number of world-leading indices such as the MSCI ESG ratings where Investec Group score in the top 2% in the financial services sector and are in the top 20% in ISS ESG ratings.

Investec Group's commitment to sustainable finance resulted in Chief Executive, Fani Titi, being appointed to the UN Global Investors for Sustainable Development (GISD) Alliance, in 2019. This is made up of 30 leading corporates and financial institutions across the world. The alliance aims to accelerate action to better integrate the UN SDGs into the business; to scale up sustainable investments globally, especially to countries most in need; and to align investment with sustainable development objectives.

2.3 Investec Wealth & Investment Limited governance structure

IW&I maintains a Management Responsibilities Map (MRM), that describes its management and governance arrangements, including details of the reporting lines and the lines of responsibility.

The IW&I Board is accountable for the performance and affairs of IW&I. The Board is responsible for the development and adoption of strategic plans, monitoring operational performance and management, ensuring an effective risk management strategy, the culture of the organisation, compliance with applicable legislation, upholding corporate governance standards and succession.

There are four Committees, each mandated by the Board with delegated authority for specific matters plus a Management Committee which has been established by the Chief Executive (known as the Executive Committee, before the combination in September 2023). The Committees below are all Rathbones Group plc Committees and the Management Committee is an IW&I Ltd key committee.

The following four committees are composed of non-executive members. These are the:

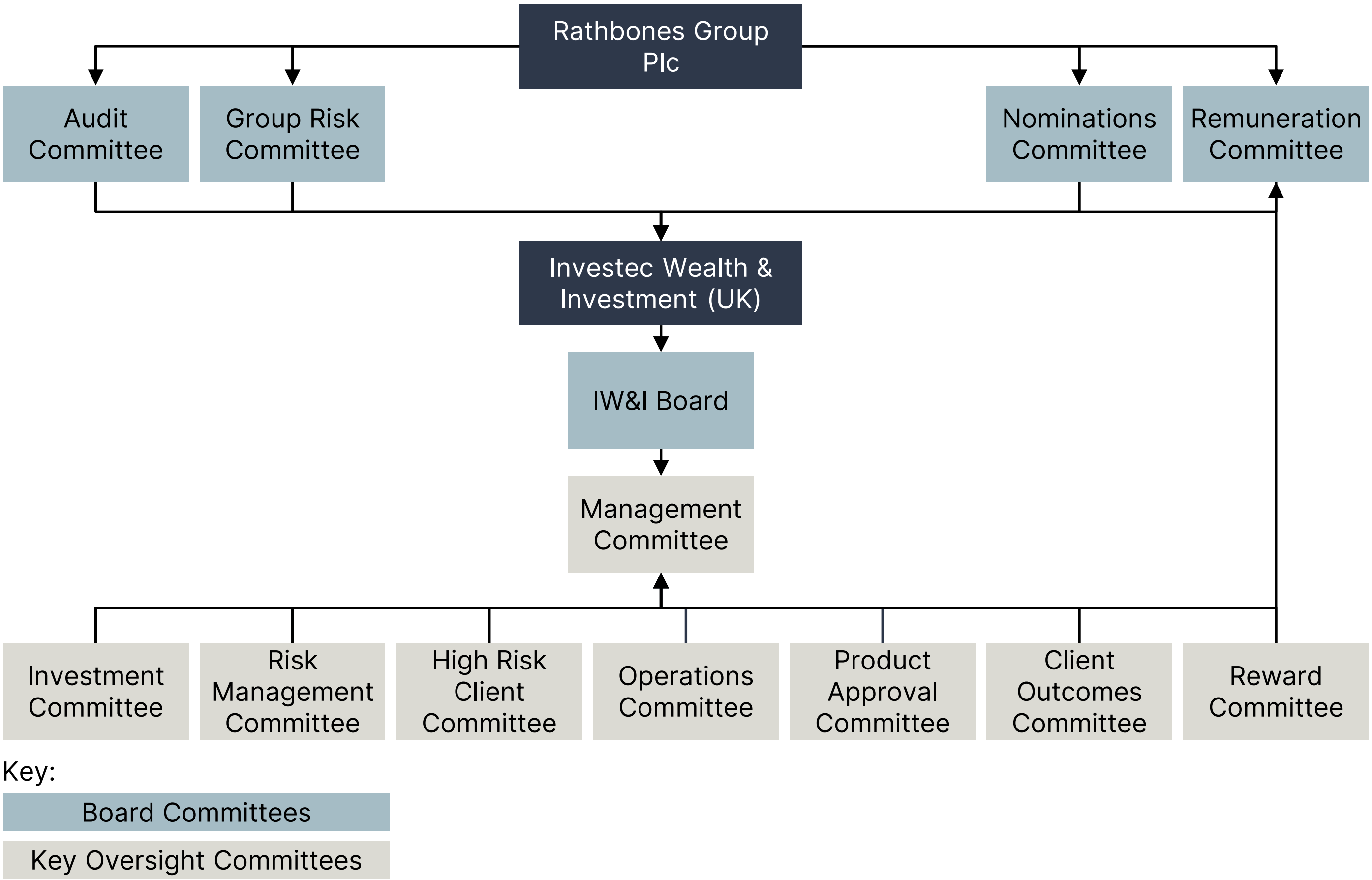
Audit Committee

Group Risk Committee (Board Risk pre-combination)

Nomination Committee

Remuneration Committee (Board RemCo pre-combination)

Our governance, resources and incentives to support stewardship



The governance structure supports clear segregation of duties between the functions responsible for the investment decision making process, monitoring of portfolios against client restrictions, the dealing process and the accounting and settlement process.

The Board of Directors is committed to complying with applicable regulatory requirements and the associated guidance. As such, the Board of Directors is responsible for ensuring the effective management of IW&I's legal and regulatory obligations.

Audit Committee

The Audit Committee is responsible for monitoring the integrity of the Company's financial statements, reviewing internal financial controls, monitoring, and reviewing the effectiveness of internal auditors, to recommend the appointment or replacement of external auditors and to review the effectiveness of their work.

Group Risk Committee (Board Risk Committee pre-combination)

The Group Risk Committee oversees the Company's risk framework and risk strategy to ensure that the framework is appropriate to the size, scale, and nature of the Company's activities for the purposes of effectively managing the material risks to which the company is exposed and consider whether the resources allocated to the risk management framework are adequate for the purposes of managing the Company's material risk exposures effectively.

Management Committee (Executive Committee pre-combination)

The Management Committee (ManCo) is established for major operational decisions and to oversee the day-to-day management of all aspects of IW&I's business. ManCo has responsibility and oversight for the Company's strategy, performance, operations, and governance. ManCo has delegated authority to several other Committees to be responsible for certain key business and risk matters. These Committees report into the ManCo.

Nominations Committee

The Nominations Committee is responsible for ensuring a formal, rigorous, and transparent process is in place to ensure that the composition of the Board is appropriate. The committee is expected to ensure that the directors bring characteristics to the Board that provide a mix of qualifications, skills, diversity and experience.

Our governance, resources and incentives to support stewardship

Remuneration Committee (Board Remuneration Committee, pre-combination)
The Remuneration Committee determines, develops, and agree with the IW&I Board the framework for the remuneration of the members of the Board and Management Committee of IW&I as well as other members of the Senior Management and Material Risk Takers of IW&I who fall within the definition of Principle 8 of the FCA Remuneration Code. The committee ensures that remuneration packages for members of the Risk and Compliance function are determined independently of other business areas.

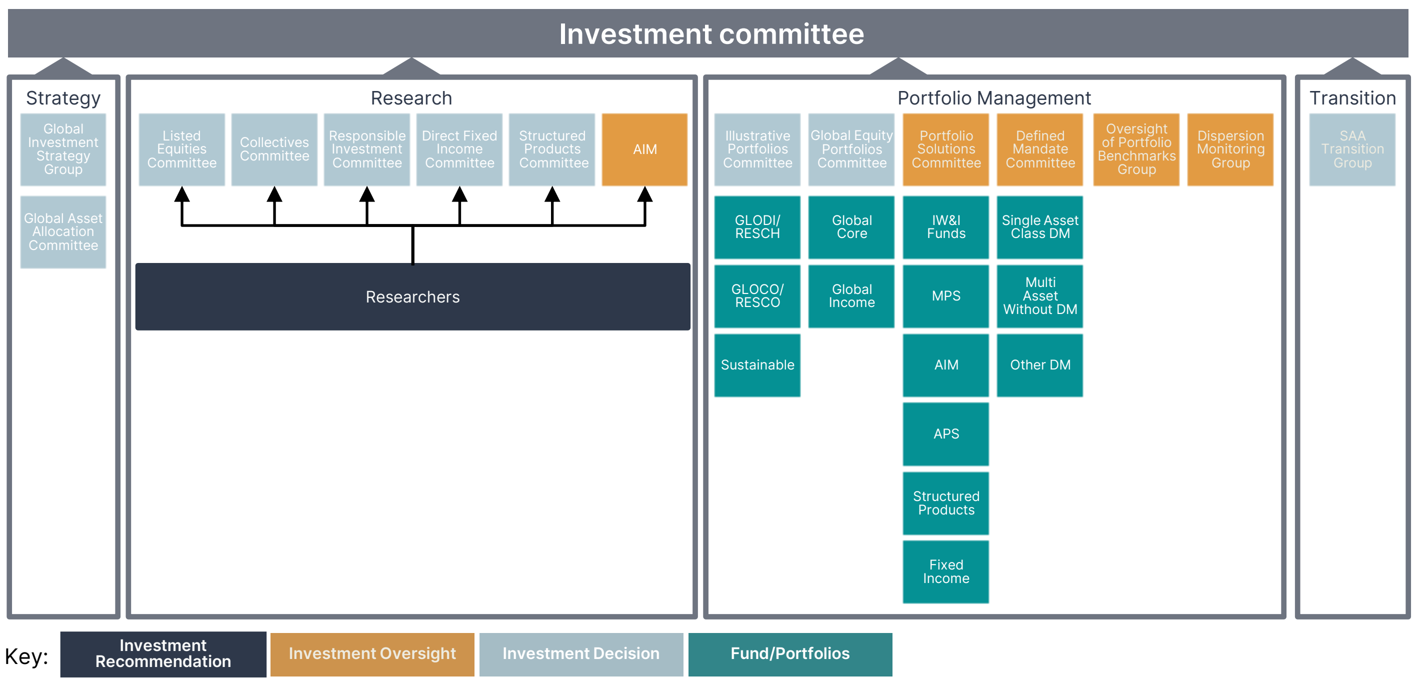
The Investment Committee
The purpose of the Investment Committee is to promote the creation and delivery of an efficient investment process that is of a uniform and consistent high quality, suitable for all investment management clients of IW&I in accordance with the Company's strategic objectives. The Investment Committee reports into the Executive Committee.

2.4 IW&I investment governance structure

IW&I has formally committed to voting on certain discretionary shareholdings to protect our clients' interests, seeking to ensure that all governance, social and environmental matters specific to their business activities are understood and well managed. A comprehensive governance structure was put in place, for the period covered by this report, with part of their remit to support this commitment.

The Investment Committee is chaired jointly by the Head of Research and Head of Portfolio Management (and by IW&I's CIO, prior to the combination). The IC also oversees the investment process, and as a result has full oversight of our Responsible Investment approach (ESG integration and stewardship).

Committee Structure



Our governance, resources and incentives to support stewardship

2.4.1 Assessing how effective our governance structure has been in supporting stewardship

We regularly review how we can improve our processes, and we are committed to ensuring that we are serving the best interests of our clients in a more effective and efficient way. In 2022, we reviewed and implemented updates to our governance structure. This governance structure was also reviewed as part of an internal audit in 2022 (see Principle 5 for more detail), which highlighted the need for additional controls and consistency between different asset class committees. In addition, Stewardship decisions and investment decisions were being made in separate forums. We therefore redesigned our committee structure to strengthen investment governance and better evidence how we protect good client outcomes. Refreshed governance has driven clear accountability, encouraged constructive debate, and formalised Stewardship as an integral part of investment thinking and decision making.

In April 2023, we implemented this redesigned governance structure, as shown above. The Listed Equities Committee (LEC), Collectives Committee (CC), and the Direct Fixed Income Committee (DFIC) are responsible for ensuring adherence to our internal policies and will be overseen by the Investment Committee (IC). Our LEC, CC and DFIC will be in place to take on the day-to-day responsibility for overseeing corporate governance and voting for their respective asset classes, where applicable.

They will also be responsible for building reports required to meet requirements of the Stewardship Code and our other governance-related commitments. The Chairs of all Committees will identify and escalate material and price sensitive issues to the IC as needed, as well as providing reports throughout the year. These will be incorporated into the IC agenda and disseminated to the Executive Committee.

In 2023/2024 we also introduced new and repurposed governance initiatives including the Client Facing Group, Policy Forum and Client Outcomes Committee.

The Policy Forum was repurposed in 2023 to allow subject matter experts from across the business to review any new or existing policies where material changes have occurred. This is to ensure changes are proportionate and subject to scrutiny ahead of being recommended for approval.

The Client Facing Group was formed in March 2023 and are consulted on areas of change across the business, including stewardship, to ensure that client views are represented during relevant change processes.

The Client Outcomes Committee was first convened in July 2023 and is mandated to assess the effectiveness of IW&I in delivering good outcomes for its clients. It ensures support for clients is embedded throughout the client lifecycle, considers the clarity of client communications and provides recommendations on information provided through the relevant sub committees.

The IC mandated the setup of the Responsible Investment Committee (RIC) in October 2023. The RIC was set up as a permanent replacement for the Sustainable Finance Programme's Working Group and Steering Committee, and is responsible for integrating responsible investment practices into our investment process, promoting awareness of, engagement with, and learning on this topic and managing stewardship initiatives. It is chaired by our Senior Strategy Director for Sustainability and a Senior Investment Director. The Stewardship Manager acts as the Deputy Chair and the committee reports to the Investment Committee.

Our governance, resources and incentives to support stewardship

2.5 Investment governance and stewardship resourcing and function

2.5.1 Membership

The Governance processes are chaired by senior members of our executive and investment teams. The Investment Committee (IC), the supervising body of our investment processes, is chaired by our Head of Research, Pela Strataki and Head of Portfolio Management, Jon Walker. Pela was appointed as Head of Research at IW&I in November 2022 and has over 17 years' experience across various buy-side roles. Jon joined IW&I in 2005 and was appointed Head of Portfolio Management in September 2023; he has over 19 years' industry experience.

Prior to the combination, the Investment Committee was chaired by Stacey Parrinder-Johnson, our CIO and member of the Executive Committee. Stacey was appointed to the CIO position in August 2021 and had worked with ESG and sustainable investments for 18 years.

2.5.2 Resources

Stewardship activities are built into our processes, meaning each of our investment analysts have responsibility for stewardship issues. As these analysts are sector and asset class focused, we therefore have a good understanding of industry best practice in each area, and so can tailor our activities appropriately.

To support our existing activities and enhance them in the future, in 2022/2023 we built a dedicated Stewardship team. This new function forms part of our Research team, coordinating, and leading our stewardship efforts to achieve and drive best practice, and helping the analysts prioritise their efforts appropriately. The team is led by our Stewardship Manager, who is supported by our Stewardship Analyst.

Our Stewardship Manager has c.5 years of experience working in responsible investing and stewardship. She has taken a number of training courses to enhance her knowledge and experience. In the last year, this has included taking the Investor Forum's 12-week development programme and the Investec 'Developing Team Leadership' course referenced on p.7. In 2022, she also took the 8-week, online Sustainable Finance Course, run by the University of Cambridge Institute for Sustainability Leadership.

Having previously worked at an Asset Manager, our Stewardship Analyst has experience of ESG investment, corporate reporting, ESG integration, including company and fund analysis as well as stewardship experience including engagement and voting.

The team aims to stay agile and flexible in order to work on a variety of tasks and meet various deadlines. Activities are prioritised based on importance and urgency and assigned by the Stewardship manager, according to each team member's skillset and existing workload. Other resourcing approaches have been considered, such as dividing tasks based on topic (environmental/social/ governance) or type of activity (voting, engagement etc.). However, given the size and broad skillsets of the team, the current approach is deemed to be most effective; it allows the team to be more agile and remain generalists, honing a broad skillset and developing Subject Matter Expert (SME) knowledge across ESG topics.

To increase resourcing and focus on governance, in 2022 we hired a number of key team members. They have continued to support and enhance the work of the Stewardship Team in 2023:

- Our Head of Research has brought additional consistency and rigour to our governance and processes, including those pertaining to Stewardship.
- Our Senior Strategy Director for Sustainability focusses on ESG integration activities, alignment with and reporting under the UN Principles for Responsible Investment (PRI), and TCFD.
- Our Senior Strategy Director for Data enables increased access to, and ease of use of, data relating to Stewardship. For example, more granular breakdowns of holdings, client data, and voting rights.

In March 2023, we recruited a Senior Governance Manager to oversee and support the effective running of the Investment Committee and the sub-committees reporting to it. Working with a team of Coordinators, this resource helps to ensure the smooth upwards and downwards flow of information between the Committees along with consistency in the production of high-quality meeting packs, action tracking and records of decisions made.

Our governance, resources and incentives to support stewardship

Many activities are being supported by our Responsible Investment Committee. This was set up in October 2023 as a permanent replacement for the Sustainable Finance Programme's Working Group and Steering Committee. The Responsible Investment Committee (RIC) is responsible for integrating responsible investment practices into our investment process, promoting awareness of, engagement with, and learning on this topic and managing stewardship initiatives. It is chaired by our Senior Strategy Director for Sustainability and a Senior Investment Director and reports to the Investment Committee. Our Stewardship Manager is the Deputy Chair.

2.6 Embedding behaviour into the business

2.6.1 Leadership, education and training

Aside from ensuring that we are discharging our governance obligations and commitments, the governance function has a role in promoting awareness of our responsibilities and capabilities throughout the organisation.

This goal is achieved by requiring that the governance committees are comprised not solely of research team members and the executive leadership, but also of senior Investment Managers. This blends expertise, experience and perspective. Each member is tasked with understanding the investment process, and the mechanics of the combination of internal and third-party research which we use to make decisions and with sharing this understanding with the business.

The Investment & Research Office and Learning & Development teams lead the education of Investment Managers across the group. They do this through training sessions which encourage understanding of the fundamental compatibility of good ESG practice with our investment philosophy and investment processes. In 2022, a mandatory 'ESG 101' e-learning module was rolled out to all of IW&I. This aimed to help all staff develop a better understanding of what ESG means and its importance in today's world. It also built awareness of how ESG relates to investors, regulators and organisations in the financial sector, and was attended by over 3,500 employees, across the Group.

We maintain active training for our portfolio managers through our investment communications, explaining how ESG and corporate governance factors are incorporated into our decision making.

In addition, the Investment & Research Office arrange presentations to Investment Managers on sustainable, responsible and ESG investing by outside parties, including specialist fund providers, our own information and service suppliers, such as Sustainalytics. This enhances their understanding of our capabilities and the best ways to deploy them on behalf of our clients.

Additionally, over 10 members of the Investment & Research Office completed the CFA Certificate in ESG Investing during 2022.

In 2022, 30 members of the Executive Committee and Board team completed a bespoke training programme on Sustainable Finance which was developed in collaboration with the University of Cambridge for Sustainability Leadership (CISL). This was a face-to-face programme hosted at Investec's offices and delivered by CISL expert faculty and external contributors. It aimed to:

- Distinguish what leading practice within the organisation might look like and how other financial institutions are responding to sustainability related risks and opportunities
- Develop the characteristics of an effective change agent for sustainability, including listening, building coalitions, identifying key leverage points, influencing/inspiring others
- Develop practical actions to take things forward as part of a broader sustainability related strategy.

Approximately 30 members of our Investment & Research Office then also attended a similar, two-day, face-to-face programme delivered by CISL expert faculty. This interactive course covered global pressures and trends, the changing landscape of Sustainable Finance and how those learnings could be integrated into the team's roles and functions.

A further 30 members of our client-facing teams and Investment & Research Office took CISL's eight-week Sustainable Finance online course, to enhance their sustainability knowledge and spend time considering how to apply it to their roles on a day-to-day basis. We are pleased to also have an ongoing relationship with CISL, being a member of the Investment Leaders' Group.

We are committed to attracting, developing and retaining a diverse team of talented people and our recruitment strategies reflect this. A diverse workforce is vital to our ability to continue to be an innovative organisation that can adapt and prosper in a fast-changing world.

Our governance, resources and incentives to support stewardship

2.6.2 Culture, people and incentives

As crystallised in our values (outlined in Principle 1), our culture underpins everything that we do. It guides our behaviour towards all stakeholders – our colleagues, our clients, our counterparties, and our communities. We believe that by employing people who align with our culture and values and incentivising them appropriately, good governance becomes fundamentally integrated into our business.

Under the Rathbones Group, driving forward our responsible investment strategy is incorporated into the objectives of several executive and senior-level roles. Senior-level accountability for overseeing and implementing responsible investment has been assigned and incorporated into job descriptions and key objectives against which performance is assessed. Where ESG risks form a key part of an employee's role, these considerations are incorporated into their appraisal discussions, performance assessments and remuneration.

Prior to the combination, Investec Group also looked to show commitment to these values through the changes made to directors' remuneration. In 2022, a robust approach was developed and implemented to assess non-financial measures for both the short-term and long-term incentive plans, particularly relating to ESG measures. These developments were present in both our short-term and long-term incentive plans scorecard, which included both financial and non-financial measures, the former equating to 80% and the later carrying a weight of 20%. Our non-financial measures consisted of; culture and values (5%), ESG related measures (5%) and strategic measures (10%). The targets were reviewed and set annually by the Remuneration Committee. For more information on this policy please look at the Remuneration Report on the Investec Group website.

Both pre- and post-combination, our remuneration philosophy and structure are designed to reinforce the behaviours needed to support our culture and values. Our reward plans are clear and transparent, designed and implemented to align employees' interests with those of all stakeholders and to support the short and long-term success of the business.

Across our research governance process within the UK, there is diversity by age, geographic location within the UK and by gender. However, we are aware that there is room for improvement, and we have outlined various initiatives to achieve greater diversity within our business in Principle 1.

We continue to follow the recommendations generated following work done in 2022/2023, to develop guidance on how to build a decision-making process which can reduce bias and avoid mistakes. This was shaped into three core pillars: Committee Structure, Committee Governance and Decision Architecture.

These pillars were created through the help of existing IW&I investment committee members as well as academic research and decision science.

- The first pillar, committee structure, aimed to strengthen common committee values and culture in order to both practice and reap the benefits of diversity of thought. Recommendations included the introduction of pre-requisite training on unconscious bias for members.
- The committee governance pillar was centred around the creation and execution of clear responsibilities, guidance and best practice for members to make sure the logistical management of committees is carried out effectively.
- Finally, the decision architecture theme focused on the importance of executing clear and logical decision-making processes, while also allowing for room to develop this methodology further than before. For example, a more refined method of decision ratification in voting than simple majority.

These recommendations continue to encourage increased transparency, maximised opportunities and made our investment decision making process more structured, which we believe gives us a competitive edge.

Our governance, resources and incentives to support stewardship

2.7 Investment in systems, processes, research and analysis

2.7.1 The internal research team

We have invested over many years in our Research Team, building a substantial, dedicated team of full-time investment professionals, whose role is to make and communicate judgements on the attractions of our investment options, in accordance with our investment philosophy and our investment processes (as outlined in Principle 1). Currently numbering c.25 in the UK, our capability is supplemented by close co-operation with the Research Team of Investec Wealth & Investment International in South Africa – with whom we share common practices in investment strategy and direct equity investment, including ESG analysis and coordination of our stewardship output.

2.7.2 Third-party research and systems

Our research team make independent judgements fully supported by third-party research inputs, chosen for their relevance and quality. We utilise the services of Institutional Shareholder Services (ISS), Sustainalytics, UBS HOLT, Morningstar and BlackRock Portfolio 360, which in addition to feeding into our fundamental analysis and ESG assessments, contribute to our overall stewardship obligations. BlackRock Portfolio 360 is a new system which is now accessible across IW&I. There is an ESG function within the tool that allows for users to view ESG risk rating metrics pulled from MSCI data. The metrics allow for viewing at a fund level to understand the breakdown of environmental, social and governance scores. This will be continued to be used to better manage our ESG risk.

We believe that we have a duty to remain forward-looking with regards to ESG, sustainability, and stewardship issues, and consequently completed an initiative to look at all of our sustainability focused data and associated client and regulatory reporting requirements. In 2023, following a detailed Request for Proposal (RFP) process, we onboarded a new data provider, Clarity AI, to support our requirement to produce climate-related disclosures in accordance with the Task Force on Climate-Related Financial Disclosures (TCFD). Engagement with the new data provider has delivered the climate metrics required under TCFD which have served as a valuable input into our Stewardship and Engagement programme for the year ahead.

ESG and ethical assessments

Within our direct (equities and fixed income) research, the predominant third-party information source used is Sustainalytics. This is a quantitative tool which focuses on the ESG risks and the management of those risks. We utilise the data from Sustainalytics as a fundamental input into the ESG component of our investment assessment, along with UN SDGs data sourced from ISS, and CDP (formerly known as the Carbon Disclosure Project) data.

Our governance, resources and incentives to support ethical issues within these direct investments are assessed on a client-by-client basis, using a screening provider. In August 2022, after a regular vendor review, we replaced our screening provider, Ethical Screening, with Sustainalytics. This review took place as part of our normal vendor review process, to ensure that we continue to meet our clients' requirements. We concluded it would be beneficial to move to Sustainalytics, given their ability to provide us with access to a larger, more detailed data set. Using Sustainalytics for screening complements our use of their ESG Risk Rating in our Equities ESG integration process.

Stewardship assessments

Our stewardship activity is informed by the work of ISS, which is combined with our analyst research. ISS provides analysis of proposed AGM and EGM resolutions for listed investments (including Investment Trusts), and highlights where proposals are not aligned with best practice, or the ISS analysis team disagree with the resolution. The relevant analyst uses the information to form their own voting recommendation to the respective asset-class specific Committee. Additionally, they use the information provided by both ISS and Sustainalytics to engage and challenge companies on how they are confronting risks, the quality of their solutions, and the level of their responsiveness, compared to others in similar businesses.

Our governance, resources and incentives to support stewardship

Investec Wealth & Investment Limited research resources				
ESG research providers				
ISS	Sustainability	BlackRock 360	Clarity AI	CDP
Market Data				
Bloomberg	FactSet	Morningstar	Financial Express	UBS HOLT
Associations				
Investor Forum		UN PRI		IIGCC
Credit research				
Credit Sights			S&P	
Broad research				
Nine Brokers				
Specialist research				
12 Counterparts				

PRINCIPLE 3

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

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

3.1 Investec Wealth & Investment Limited's conflicts of interest policy

IW&I has a comprehensive Conflicts of Interest policy, to which all employees are required to adhere. The policy aims to prevent conflicts of interest, and where that is not possible, to identify and manage them. The policy details the different types of inherent conflicts of interest that have been identified within our business and the controls adopted to manage these. A summary of our COI policy is appended to our T&Cs and is available online.

3.1.1 Prevention

IW&I will always look to prevent a conflict of interest from arising where possible and to do so we have measures in place to ensure that conflicts of interest are identified, recorded and managed effectively. All staff are required to attest on an annual basis that they have read and understood the policy.

3.1.2 Personal conflicts

All staff must disclose any outside business interests that could create a conflict of interest with their obligations as an IW&I employee. In line with the principles of the policy, staff are expected to be open about relationships and personal interests that could be seen to influence their independent judgement.

3.1.3 Business conflicts

All employees are encouraged to disclose any potential conflicts of interest they see arise within their day-to-day roles and Senior Management have a responsibility to escalate these to the relevant stakeholders, including the IW&I Compliance function. All conflicts of interest that are identified are assessed for the material risk they pose to the interests of our clients and appropriate controls are implemented to give IW&I confidence that damage to clients' interests will not occur. It is the responsibility of Senior Management to ensure that all conflicts of interest within their respective business areas are managed effectively.

3.1.4 Management

An up-to-date record of services and activities that may give rise to a material conflict is maintained by the IW&I Compliance function. The details of all potential conflicts and how these are managed or the measures in place to prevent them from occurring are recorded in the Conflicts of Interest register and assigned a risk owner. The Conflicts of Interest Policy is reviewed and updated where required by the IW&I Compliance function on an annual basis, or sooner if there are any changes to processes or regulatory requirements. It was last updated in September 2023 with the next review due in July 2024.

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

3.2 Conflicts of interest – key areas and governance processes

3.2.1 Voting and shareholder interests

The Collectives and Listed Equities Committees are responsible for determining voting decisions on all resolutions. Where IW&I's Research team advise voting against any resolutions, they will notify Investment Managers, who must advise where their client may want to vote differently to the firm.

3.2.2 Investec plc shares

No Investec or Rathbones entity is included in our research coverage due to the potential conflict of interest (see Principle 2 for more detail on the Group structure). Client ownership of Investec shares leads to voting rights held by IW&I.

3.2.3 Application of our conflicts policy to stewardship

We have identified six potential Conflicts of Interest specific to Stewardship. These, and the associated controls, are detailed below.

a) IW&I may vote on a UK shareholding in a way that is not in the client's best interest.

Control – The IW&I approach to voting is stated within our terms and conditions and our Voting Policy. Where Research advise voting against any resolutions, Investment Managers are notified and have the opportunity to advise where their client may want to vote differently from the company. The Investment Committee (IC) provides governance surrounding voting and engagement on behalf of IW&I. The IC is made up of senior members of the firm, including representation from the Compliance function, client-facing practitioners, and the Investment & Research Office report to the Executive Committee. It is responsible for the oversight of IW&I's engagement and other lobbying powers on behalf of shareholders.

b) IW&I may vote on certain holdings resulting in a restriction in its ability to trade for its clients.

Control – Where the restricted period is expected to be more than five working days, we may consider only committing a proportion of our stock to the vote, leaving a proportion uncommitted to satisfy execution-only trades. In this scenario, individual Investment Managers can still opt-in clients if they are prepared to accept the extended restricted period.

c) IW&I may be hesitant to engage with investee companies where this could result in open dispute, despite engagement being in the best interest of the client.

This conflict is no longer live, given the separation from Investec Bank plc. It may have arisen in the first half of the reporting period, where IW&I are invested in a company that Investec Bank plc and Investec Bank Limited have a client relationship with.

Control – The Listed Equities, Collectives, Real Assets and Direct Fixed Income Committees would have reported any recommended actions with potential high public profile to the IC for ratification, in advance of any action being taken, to ensure that the correct course of action was taken with regard to clients' interests. This would then have been taken to the DLC SEC, ESG Executive Committee and/or Investec Group ERC, as appropriate.

d) IW&I staff may commit the firm through irrevocable undertakings or letters of intent which mean the firm cannot trade in the best interest of its clients.

Control – When asked to provide an irrevocable undertaking or letter of intent, the Investment & Research Office make a recommendation to Investment Committee so a decision can be made whether to proceed. If a decision is taken to proceed the wording of the irrevocable undertaking or letter of intent is reviewed by Group Compliance and Group Legal and can only relate to discretionary holdings registered in our nominee which are not subject to client restrictions. The reasons for the decision must be clearly communicated to all Investment Managers by Research and system dealing restrictions are set up to ensure IW&I does not breach terms. Over this reporting period, no actual conflicts of interest in relation to stewardship were identified.

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

e) **Where a client also serves on the board of a company or other listed vehicle, the personal relationship may be in competition with governance issues arising at a general meeting**

For example, if we were recommended to vote against a remuneration report but the company's executive was a client of ours.

Control – Firstly, we do not permit clients to hold shares of their own company, in a discretionary account and therefore there is no risk that we would vote their own shares 'against' them. Secondly, we inform all IMs when voting against management and they can recuse their clients' votes, as needed.

As an additional control, in recent months we have also begun to work towards creating a register of clients where such a potential conflict exists. This will be maintained by IW&I Compliance.

f) **A conflict could arise where a client serves as a director, CEO, chair or other senior employee of a company and may place undue pressure on the stewardship team to follow a particular course of voting action that may be in conflict with the best interests of clients.**

Control – Our robust governance structure, as laid out in Principles 2 and 5 ensure no individual can circumvent due process when casting a vote. Any voting decision begins with the Research Analyst reviewing the ISS report and presenting a rationale to the Stewardship Team as to how to vote. Once the Stewardship Team have reviewed and opined on this, the recommendation goes to the relevant committee, which must be quorate and then a majority decision is required, before the voting stance is finalised. Committee members are required to disclose any personal conflicts.

3.3 Inside information and market abuse

In addition to IW&I's Conflicts of Interest Policy, there is also a comprehensive Market Abuse Policy to assist in managing conflicts that arise as a result of access to inside information. IW&I maintains an insider list containing details of all people who have access to inside information (internal and external). This process is managed centrally by IW&I Compliance (though was managed by Investec Group Compliance prior to the combination) but relies on all staff to ensure that information is provided to IW&I Compliance in a timely and accurate manner. If an individual is in possession of inside information, they must inform the IW&I Compliance function of the details, before taking any further action.

All staff receive regular training and reminders on the procedures to follow where they are in receipt of inside information.

Ethical Walls

The expression "Ethical Walls" is used to describe the invisible boundaries within a financial services company which are set up to divide one part of its business from another. The general aim is to establish an arrangement whereby information that is known to persons in one business area is not available, directly or indirectly, to those that are involved in another business area.

Ethical Walls were required when IW&I were part of the Investec Group. However, post-combination with Rathbones Group, the need for Ethical Walls between Investec Bank plc and IW&I has reduced.

Investec Bank plc (IBP) have Ethical Walls in place for their Corporate Finance business to control and prevent information flow between different entities within the Investec Group.

PRINCIPLE 4

Management of market and systemic risks and the promotion of a well-functioning financial system

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

4.1 Statement of principles

- We manage investment risk on behalf of our clients
- It is our fiduciary duty to ensure that this purpose be fulfilled to the highest standards of professionalism and governance
- Under this duty, the promotion of the efficient functioning of markets and a healthy financial system is an obligation, since this works to minimise systemic risks originating within the financial system
- This duty also extends to ensuring that our own corporate behaviour and the services that we offer contribute to the minimisation of systemic risks originating from outside the financial system.

4.2 The role of suitability and the investment process

The twin goals of appropriate management of market risks, from a client perspective, and the promotion of a healthy financial system are served at IW&I by three pillars:

- First, clearly describing our services, giving a full understanding to prospective clients of the historical experience under all circumstances. Our Managing Your Investments brochure describes our core multi-asset investment services.
- Second, maintaining an investment process that takes systemic risks explicitly into account in its investment risk-budget, but also ensures that mandates are executed according to the agreed terms in this context.

  The process is as follows: the Global Investment Strategy Group (GISG) is charged with taking systemic risks into account in our investment decision making, wherever they may come from (i.e. within the financial system, geopolitics, or due to sudden exogenous factors such as coronavirus).

  The GISG determines the risk appetite of our discretionarily invested portfolios. The GISG is made up of UK, Swiss and South African practitioners, who meet quarterly, assessing market and systemic factors such as inflation, interest rates, geopolitical tensions, and economic growth. The decisions of the GISG are then considered by our internal Asset Allocation Committee (AAC), who act as another layer of due diligence in terms of assessing market and systemic factors. The AAC is ultimately responsible for determining the company wide tactical asset allocation (TAA) that is implemented across client portfolios. In contrast to the GISG, the AAC focuses on the sub asset classes that make up equity and non-equity investments. Incorporating a tactical asset allocation allows us to be dynamic in the response to market and systemic changes, with an 18-month view typically incorporated in decisions made but with the ability to introduce shorter term changes where appropriate. The decisions of the AAC feed through to committees that decide optimal investment selection. Individual investment managers then implement the decisions in client portfolios, according to their judgment and client circumstance, subject to the oversight of a Suitability system that ensures the implementation is consistent with the terms of the mandate.
- Third, in a business based on personal relationships, we are committed to Know Your Client (KYC) processes that take client objectives, risk appetite and capacity for loss into account and are regularly updated. In combination, these three pillars reinforce a healthy financial system by minimising the risk that investors are surprised or forced into behaviour that is against their interests at times of market stress, which in turn promotes further instability.

Management of market and systemic risks and the promotion of a well-functioning financial system

4.3 Policy engagement

We understand that the companies and investment trusts we invest in operate as part of a larger investment system. Therefore, fostering a policy and regulatory environment that enables companies and trusts to operate sustainably is paramount. We engage with policymakers to encourage them to create a policy environment in which our investments can thrive.

Example: International Legally Binding Instrument (ILBI) to end plastic pollution

In March 2023, we signed the Financial Sector Statement calling for an ambitious international legally binding instrument (ILBI) to end plastic pollution. The statement will be publicly announced, alongside its full list of signatory organisations, to negotiating member states during the fourth session of the Intergovernmental Negotiating Committee (INC-4) from 23-29 April 2024 in Ottawa, Canada. The objective was to call on governments to agree an ambitious ILBI that sets out a clear end to plastic pollution and that is supported by binding rules and obligations for governments to address the full life cycle of plastics.

Example: UK Retail Disclosure Framework

In the context of the government looking to publish a near-final version of the statutory instrument to replace the EU Packaged Retail and Insurance-based Investment Products (PRIIPs) Regulation and create a new UK retail disclosure framework, IW&I signed a joint response to the Treasury, alongside hundreds of other industry participants. The key recommendation was to add closed-ended investment companies whose shares are publicly traded in the UK, to the 'excluded products' category. The aim of the letter and its recommendation was to assist in restoring investment and retail access to important sectors and restore UK international competitiveness by harmonising the treatment of UK listed companies with established observable international market standards.

IW&I also sent an individual response directly to the Treasury, on this topic.

Example: Modern Slavery Bill

In 2023, prior to the announcement of the combination of IW&I and Rathbones, we joined the collaborative engagement which was launched by Rathbones and CCLA, calling for a set of principles to be included in the new Modern Slavery Bill.

The engagement was stalled because of the pollical climate but has since regained traction. We will continue to support this initiative throughout the combination.

4.4 Key systemic risks and Investec responses

4.4.1 Climate change

Climate change poses a clear threat to financial stability and, in turn, to the efficient and effective role of the capital markets upon which we depend to serve our clients. We recognise that the decarbonisation of the economy is a global imperative and have determined that we have at least two clear roles in this respect. First, we aim to reduce the carbon footprint of our operations and influence, wherever possible, that of our supply chain. Second, our duty to achieve attractive risk-adjusted returns for our clients means that we integrate environmental risks and opportunities into our investment process. Through our stewardship activities, we also seek to influence the capital allocation and organisational practices of the entities in which we invest with the aim of maintaining the health of the financial system.

4.4.2 Modern Slavery

The International Labour Organisation’s estimates show that 20.9 million people around the world are still in forced labour, with data indicating that numbers of people in forced labour are not decreasing and may even be on the rise. Modern slavery is a pervasive risk to society and supply chains, affecting millions of people and a number of sectors, globally.

We have responded to this risk by signing on to the Votes Against Slavery initiative run by Rathbones Group since 2020, and we continue to support this initiative as part of the Rathbones Group. This initiative has played a significant role in mitigating the risk of modern slavery across a large part of the market; it has led to c.150 companies becoming compliant with the Section 54 reporting requirements of the UK Modern Slavery Act 2015.

Management of market and systemic risks and the promotion of a well-functioning financial system

4.4.3 Over-boarding

We define over-boarding as a situation where a director is sitting on an excessive number of boards, creating a risk of them being unable to commit sufficient time or attention to them. This risk, should it manifest, can affect a wide range of investments, particularly given one person can often be a Director at a number of investment trusts. We therefore see over-boarding as a potential market risk in the investment trust space. The risk is also included in the FRC's Guide on Board Effectiveness, UK Corporate Governance Code and AIC Code of Corporate Governance.

As active owners of our clients' capital, IW&I seeks to ensure that NEDs should not be over-boarded and should be spending sufficient time on holding the company's management or trust's investment manager to account. IW&I also seeks to hold NEDs to account and actively engage with the board in some cases we will withhold support for their re-election at AGMs, should there be concerns of over-boarding.

Director commitments are assessed by ISS when recommending whether or not to recommend (re-)election of a Director. However, we identified two issues with ISS' methodology:

- ISS does not include Board roles at unlisted companies or NGOs
- ISS does not give more points to a director of an operating company, versus an investment trust (and we estimate the former requires twice as much work as the latter)

We therefore conducted our own desk-based research to supplement the ISS recommendations during the 2023 Proxy Season. As part of our Annual Quality Review later in the year, we then captured detail on the time commitments of all Directors. We now have this enhanced dataset to support our stewardship activity gong forwards and can use it to identify risk of over-boarding.

4.5 Our response to Climate Change

4.5.1 IW&I's response to climate change

IW&I has an in-house environmental sustainability team, Team Green, to ensure best practice is exercised across all our IW&I offices. Initiatives address waste management, energy use, water use and many more environmentally sensitive issues. In the last year, Team Green's progress includes installing and monitoring water meters. The Facilities Team now receive waste management reports and flag / investigate high volumes, as well as targeting reductions in water use and waste.

Within IW&I we are:

- Signatories of the UN PRI
- IW&I is a member of the Institutional Investors' Group on Climate Change (IIGCC), as of 2022 (further details can be found in Principle 10)
- IW&I are part of the University of Cambridge Institute for Sustainability Leadership (CISL) Investment Leaders Group

We are signatories of the United Nations Principles for Responsible Investment (UN-PRI), and so work alongside other financial institutions and collectively contribute to the development of a more sustainable global financial system. In 2023 we completed our second ever UN PRI submission.
Assessment scores from the PRI, received in November 2023, indicated improvement across all modules. This demonstrates our commitment to making progress and developing our processes to align with the expectation of the UN PRI principles.

Rathbones Group's commitment to transitioning to a net zero economy is laid out in their annual Responsible Business report.

Management of market and systemic risks and the promotion of a well-functioning financial system

4.5.2 Investec Group's response to climate change (relevant for the pre-combination period)

Investec Group's Chief Executive, Fani Titi, is part of the Global Investors for Sustainable Development (GISD) Alliance, which is a group of 30 CEs convened by the UN, tasked with securing investment from the private sector to finance the UN SDGs.

At the Investec Group level, we had been carbon neutral within our operations for the past five years and had committed to ongoing carbon neutrality. Initiatives included an innovative partnership in South Africa with the Climate Neutral Group in support of high-quality, ethical carbon credits.

At the Investec Group level, we participated in various industry initiatives as shown below:

- Investec plc have signed up to the TFCD
- Signatory of the Net-Zero Banking Alliance (NZBA)
- Participant of the United Nations Global Compact's (UNGC) 10 principles on human rights, labour, environment and anticorruption and report annually our Communication of Progress
- Member of the Institute of International Finance (IIF) and participate in the working group focused on providing a standardised template for TCFD disclosures for banks
- Participant in Partnership for Carbon Accounting Financials (PCAF) and involved in the PCAF working groups in both the UK and South Africa
- Active participants in working groups for the United Nations Global Investors for Sustainable Development
- Member of Support the Goals, an organisation aimed to Raise awareness of the Global Goals in the business community
- Member of the World Benchmarking Alliance (WBA)
- Founding member of the African Natural Capital Alliance (ANCA)
- Member of the Partnership for Biodiversity Accounting Financials (PBAF)

4.5.3 Addressing climate change in the client offering

As fully described in Principle 7, IW&I's investment process is resourced and structured to enable ESG considerations (including climate change) to be explicitly considered in all of our investment decisions – whether we invest directly, or through third-party fund providers.

4.5.3.1 Our core offering

We aim to embed thinking about climate change throughout the investment process. As we believe climate change poses a significant risk to the global economy in the coming years, we have recently adjusted the process by which we review our yearly Capital Market Assumptions to incorporate more factors relating to climate change. These assumptions ultimately feed into the determination of our long-term Strategic Asset Allocation, and the insights also used to be able to make tactical allocation assessments. We are committed to consistently improve our inputs and understanding of these issues and fully incorporate them into our investment strategy.

Our Capital Markets Assumptions (CMAs) reflect our views on expected market returns and volatilities on a ten-year view. They are the initial building blocks for the development of our strategic asset allocation and are used as the foundation of our framework portfolios and to construct reasonable risk and return expectations for our clients. In 2022/23 we made improvements to our sustainability inputs into the yearly CMA work. This approach continued into the early stages of the 2023/24 CMA process, which in the latter stages took a different path due to progress with Rathbones integration and the business desire to release a single set of capital market assumptions. Notwithstanding the new combined approach, climate change impacts are a consideration in the return assumptions which inform the final combined CMA output for 2024.

Where we make investments directly in the debt or equity of a company, Sustainalytics data and CDP data is used as part of the ESG assessment. We adjust our expectations for an investment according to the extent to which the data implies there will be a negative impact on future returns due to poor outcomes – which will include those related to climate change, and worst in class stocks will be excluded from our analysis. Although this assessment may mean we will still invest in companies that currently contribute to climate change, we believe our method highlights those who will be able to manage the risks most successfully and moderate their impact over time. Our collective fund research process involves an ESG questionnaire, which is used by analysts to assess whether the managers have demonstrated ability in assessing climate change issues and challenging their holdings where appropriate. This was completed for every strategy in 2021 and the team continues to update their dataset through annual engagements. Where required, we may use third-party ESG data providers with a view to finding an optimal solution to aid our analysis of environmental and carbon risks in the future. We also have a number of funds on our list which give exposure to assets which aim to directly contributing to a reduction in carbon emissions (e.g. solar and wind infrastructure).

4.5.3.2 Enhanced / sustainable investment services

Our Investment Managers have access to our research output, which has full details of ESG assessments made through the investment process. Additionally, through third-party database information, they have the option to screen individual equities to understand the positive and negative implications of holding an investment (where positives can be defined by the UN SDGs to help with portfolio construction). Additionally, prior to the combination with Rathbones Group, we have worked with our South African business to use these SDG inputs in creating a portfolio – the Global Sustainable Equity fund – which explicitly only invests in companies that are positively aligned with the SDGs.

We have managed an illustrative Sustainability model portfolio (collective fund multi-asset) for a number of years, which is used by our Investment Managers for clients who specifically require a sustainability-focused outcome. The portfolio is tilted towards more sustainable investments, via its higher percentage holdings of EU Sustainable Finance Disclosure Regulation (SFDR) Article 8 and Article 9 funds, than our standard models. The portfolio combines our expertise in fund selection along with a focus on risk management.

We have long provided bespoke services tailored to individual requirements that have incorporated ethical and environmental requirements. This is particularly prevalent in our Charities business.

4.6 Assessing our effectiveness in identifying and responding to market-wide and systemic risks and promoting well-functioning financial markets.

We believe we have taken significant steps on this journey in this reporting period. Activities described above demonstrate a growing emphasis on our response to systemic risks and helping promote well-functioning markets, e.g. the work on policy, sustainability inputs into the CMAs and joining collaborative initiatives laid out in Principle 10.

4.6.1 Taskforce on Climate-related Financial Disclosures (TCFD) Overview

In particular, completing our first TCFD report demonstrates our efforts to identify to market-wide and systemic risks.

The Financial Stability Board (FSB) created the Taskforce on Climate-related Financial Disclosures (TCFD) in 2015 to improve and increase reporting of climate-related financial information. The TCFD recommendations were published in 2017. The UK government formally endorsed the TCFD Framework and has mandated TCFD aligned disclosure for large entities in the UK private sector.

The primary objective of the TCFD Framework is for financial risks and opportunities related to climate change to become a natural part of companies' risk management and strategic planning processes. The disclosures required under TCFD will help investors and others understand how reporting organisations think about and assess climate-related risks and opportunities and will ultimately lead to a more efficient allocation of capital to support the climate transition.

The Framework is comprised of four sections: Governance, Strategy, Risk Management and Metrics and Targets. There are 11 TCFD recommendations across these four sections, the framework is principles based and reporting entities must apply a ‘comply or explain’ basis for disclosure.

Over the last c.6 months, we have worked towards preparing our first TCFD report and in doing so, have identified our climate-related risks and opportunities in the short, medium and long terms. We have also reflected on the resilience of our strategy, using scenario analyses and reported on our risk management approach, describing mitigations for risks identified. The full report can be found as an Appendix to the Rathbones Group TCFD Report for 2023.

Stewardship policy review and assurance

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

5.1 Our stewardship governance structure

Please see Principle 2 for a diagram of our governance structure.

IW&I has formally committed to voting on certain discretionary shareholdings to protect our clients' interests, seeking to ensure that all governance, social and environmental matters specific to their business activities are understood and well managed. A comprehensive governance structure was put in place, for the period covered by this report, with part of their remit to support this commitment.

Primary responsibility for overseeing our investment stewardship activities is vested in the Investment Committee (IC). This committee designs, approves, and oversees policies relating to investment stewardship, working together with our Compliance function to ensure they are appropriate and that they can be implemented in an effective way.

The Investment Committee is chaired jointly by the Head of Research and Head of Portfolio Management (and was chaired by IW&I's CIO, prior to the combination). The IC also oversees the investment process, and as a result has full oversight of our Responsible Investment approach (ESG integration and stewardship).

As addressed in Principle 2, the IC oversees the work of the Listed Equity Committee and the Collectives Committee, who all implement our Stewardship policies and obligations across all relevant asset classes on a day-to-day basis. Each committee is chaired by a senior research specialist from the appropriate field.

IC membership includes chairpeople of each asset class-specific committee. This structure ensures that the differing priorities of governance for investment trusts and direct equities are appropriately considered, in turn ensuring that our clients' interests are being best served. Governance issues relating to Fixed Income and Structured Products are dealt with on an ad hoc basis by the research teams supervising those investments. Controversial issues are reported to the IC, and it is the responsibility of senior members of those teams and the CIO to ensure that this occurs.

The IC mandated the setup of the Responsible Investment Committee (RIC) in October 2023. The RIC is responsible for integrating responsible investment practices into our investment process, promoting awareness of, engagement with, and learning on this topic and managing stewardship initiatives. It is chaired by our Senior Strategy Director for Sustainability and a Senior Investment Director. The Stewardship Manager acts as the Deputy Chair.

As an asset manager bound by the Shareholder Rights Directive (SRD 2), it is our duty to promote effective stewardship and long-term investment decision making by enhancing the transparency of our investment processes. We have responded to these requirements by formalising a structure to oversee our policies relating to the Stewardship of our investments, to report on our activities to relevant interested parties, and to review the policies and their effectiveness.

Stewardship policy review and assurance

5.3 Stewardship reporting

Responsibility of ensuring stewardship reporting is fair, balanced and understandable sits with the Stewardship team, who compile the quarterly reports. These are shared with the Investment Committee for information, though it has delegated responsibility for reporting to the Stewardship Team.

In the last year, we have enhanced our quarterly voting reports by including more case studies and, for the first time, charts, graphs and comparisons to previous reporting periods. This not only enhanced our level of transparency and disclosure, but also increased the accessibility of our disclosures, for our clients. This is of the utmost importance to us, as we seek to serve our clients' interests and clearly communicate to them, how we are being active stewards of their capital.

5.2 Policies supervised by the Investment Committee

As a company, we have a Responsible Investing Policy, three policies that are relevant and aligned with modern day stewardship, and three relating to ESG integration. The implementation of these policies is an indication as to how important we feel they are in helping us to achieve high standards of stewardship and long-term client benefit. The policies are as follows:

Responsible Investment policy
Engagement policy
Voting policy
Escalation policy
Listed Equities ESG policy
Collectives ESG policy
Fixed Income ESG policy

The IW&I Responsible Investing Policy outlines the IW&I approach to responsible investment and demonstrates our commitment to, and support of, the UN Principles for Responsible Investment (PRI) to which we are signatories. The UN PRI defines responsible investment as ‘a strategy and practice to incorporate environmental, social and governance factors in investment decisions and active ownership’.

Our engagement policy addresses what we believe to be some of the key areas we must focus on when interacting with investee companies: the monitoring of performance, engagement with company boards through in house meetings, exercising voting rights, co-operation with other shareholders and managing conflicts of interest.

Our voting policy outlines the circumstances where we will actively vote on company matters. As an external assurance, we have partnered with ISS which provides us with governance and voting analysis as an input into our decision making. The added assurance provided by ISS contributes towards us taking a fair and balanced approach to governance and voting analysis, with an outside and unbiased perspective considered in any decisions made. The input of ISS is always considered but not necessarily acted upon. It is down to the relevant analyst, Stewardship Team and Committee to consider the report and then ultimately come to a decision on a particular issue.

Our ESG policy details how we will integrate ESG considerations into our process on both equity and collective investments. It outlines how we will screen, analyse and engage with management teams, something which we feel complements the conventional financial analysis that is already conducted, whilst also adding another layer of risk assessment. These processes are constantly evolving as the wider market becomes more aware of the importance of ESG-related matters. The fund research team has developed their own proprietary framework that incorporates ESG factors, providing internal assurance when conducting research into funds. Our direct equities and fixed income teams use Sustainalytics, which provides quantitative ESG risk data and further external assurance to their stock selection process.

All these policies can be viewed on our website (https://www.investec.com/en_gb/wealth/private-clients/about-us/responsible-investing-approach.html).

Stewardship policy review and assurance

5.4 Policy reviews and assurance

Our Responsible Investing Policy was reviewed and updated in April 2023.

Approach to Responsible Investing (RI) Policy Review

The current state policies were compared to various sources to find gaps; the rationale for each is laid out below:

• UN PRI Guidance & Industry Best Practice: review of UN PRI 2022 Transparency Report, which highlighted areas for improvement in the existing IW&I policy, and guidance available on the PRI website regarding expected RI Policy content.

• Engagement with internal stakeholders: understand existing process in practise to ensure that the approach is fully and accurately reflected in the documented Policy.

• Review of Existing Internal Documentation: ensure that processes described in existing internal documentation (e.g. ESG Pitch Deck, 2022 Stewardship Code submission) align with documented Policy approach.

For the other six policies listed on the previous page, our next full policy review is due later in 2024, as a full review was last conducted in 2022 (as set out in 5.4.2) and our policy is to review policies biennially.

However, some work has been done in this reporting period to ensure policies remain accurate and continue to be enhanced between each full, biennial review:

- In September 2023, all IW&I policies were reviewed to ensure accuracy and ensure references to Investec Group were removed.
- As part of the integration with Rathbones Group, a review and comparison of both entities' Voting Policies was conducted, to assess the level of alignment. A high degree of consistency between both sets of voting principles was found. Rathbones Group's Voting Policy is provided to ISS such that custom voting recommendations can be generated. A proposal to adopt these same custom reports was made by Investment Committee and is a significant step towards aligning the voting policies of the two businesses.

Our Stewardship Policies are assured through our Internal Audit process. An Internal Audit was not carried out in 2023, as it was last conducted in 2022 (as set out in 5.4.1), and our policy has been, to date, to run our audits biennially.

5.4.1 Internal Audit

In 2022, an Internal Audit of the Investment and Research Office (IRO), now the 'Research & Portfolio Management Team') was carried out. An internal audit was deemed to be the most appropriate assurance method, as:

- This capability existed within our business already
- A biennial audit of each team is part of our internal policy
- The Internal Audit team's existing understanding of the business allows them to better identify risks and gaps in practices.

Stewardship policy review and assurance

Assessment of our internal assurance methods

Internal Audit develop and document a risk-based audit plan, at least annually, which is subject to a quarterly review process and authorised by the Audit Committee. The annual planning process is underpinned by the following:

Identification of the audit universe

Assessment of the level of risk posed by each audit activity, using a consistent set of risk factors

Audit frequencies covering a range of cycles between six and 36 months depending on the risk rating of the audit activity including the use of continuous monitoring for those audits considered lowest risk.

The audit process consists of:

- A planning phase where Internal Audit perform a process walkthrough to identify and assess the key risks and controls of the audited activity and to establish an audit testing strategy
- A field work phase where Internal Audit perform sample testing and data analysis to determine the effectiveness of the activity's controls
- A reporting phase where Internal Audit discuss the audit findings with IW&I Management and formally issue a report to IW&I Senior Management and the Audit Committee. Internal Audit also track to resolution all findings raised in these reports.

Internal Audit maintains a global quality assurance framework and methodology that complies with the Institute of Internal Auditors' (IIA's) International Standards for the Professional Practice of Internal Auditing (which includes the International standards, the definition of Internal Audit, and the Code of Ethics) and the UK Code for Effective Internal Audit in the Financial Services Sector.

Internal Audit ensures audit quality through internal review processes at an engagement level, and through post-engagement independent quality assurance performed on a sample basis. The results of the internal Quality Assurance processes are shared with the Audit Committees at least annually. Internal Audit is subject to an independent external assessment once every five years in order to assess adherence to the IIA Standards. The results of these reviews are reported to the Investec plc and Investec Ltd Audit Committees and shared with the subsidiary Audit Committees within the Group. The Audit Committees evaluate the performance of Internal Audit annually to ensure that it is fulfilling its responsibilities in assisting and advising the Committee members.

5.4.2 Policy Review

In 2022, Internal Audit reviewed the key processes of the IW&I IRO (now the 'Research & Portfolio Management Team'), in which the IW&I Stewardship function resided, with a formal audit report issued in August 2022.

Following this audit, a policy effectiveness review was carried out for our Stewardship and ESG policies.

Background to ESG and Stewardship policy reviews

There were three key triggers for the review of IW&I's ESG and Stewardship policies:

- They required a periodic review
- They required more specific wording
- IW&I committed to reviewing the effectiveness of these policies in the last UK Stewardship Code report.

The following policies were reviewed and updated as appropriate as part of this project:

- Changes made to: Equity ESG policy, Collectives ESG policy, Voting policy, Engagement policy and Responsible Investment policy
- Newly written: Fixed Income ESG policy and Escalation policy.

Approach to ESG policy Review

- Engagement with Research teams
- Understand existing process in practice to ensure that the approach is fully and accurately reflected in the documented policy
- Review of existing internal documentation
- Ensure that processes described in existing internal documentation (e.g. ESG pitch deck, 2022 Stewardship Code submission) align with documented policy approach
- UN PRI guidance & industry best practice
- Review of guidance available on the PRI website regarding expected ESG Policy content.

Stewardship policy review and assurance

Approach to Stewardship Policy review

The current state policies were compared to various sources to find gaps; the rationale for each is laid out below:

- UN Principles of Responsible Investment (PRI) Transparency Assessment Criteria: understand gaps vs. the expectations of this assessment, given this is a widely accepted measure of industry best practice
- UN PRI's 'Making Voting Count' guidance: understand gaps vs. recommendations from a respected industry body, which we are a signatory of
- IW&I Internal Audit report: address recommendations made by our internal assurance function
- IW&I South Africa's policies: Understand differences between UK and South Africa's policies, to work towards standardisation across the two geographies
- Other industry best practice: understand what we would need to change to achieve a more industry-leading position.

Key changes made: Stewardship policies

- **Added Voting Principles to the Voting Policy**

  According to the UN PRI's 'Making Voting Count' guidance, these are: "high-level statements which explain the investor's position on ESG matters and how they vote to effect progress on those matters. Investors should develop principles by considering the preferences of beneficiaries and risks to the portfolio overall, as well as how the portfolio contributes to risks in the real world. These principles should be made publicly available...Investors should support all resolutions which, if successful, would be consistent with their voting principles; and oppose only resolutions whose effect would be contrary to these principles". We added these to our Voting policy to publicly state our support for ESG topics and to provide us with a consistent framework against which to make voting decisions.

  Our Voting Principles and Thematic Engagement Priorities are aligned with Investec's 'impact' SDGs, mentioned in Principle 1.

- **Changed voting parameters for Collectives**

  Wording flagged as vague by Internal Audit was removed. The voting threshold has been reduced for researched trusts; we now vote on all researched trusts. Voting on off-list trusts over a certain threshold remains as a parameter, and controls are going to be placed around this in due course.

- **Added thematic engagement priorities to Engagement Policy**

  Six ESG topics were identified as priority topics for engagement with our holdings. These have been identified using Sustainalytics data on our equity holdings. We have laid out how these will be considered with nuance across asset classes, depending on materiality, e.g. environmental topics may be most material for real assets, while governance topics may be most material for equity investment trusts.

Stewardship policy review and assurance

- **Published an Escalation Policy**

  We have published escalation methods that may be employed, as we feel appropriate, to escalate an engagement with a holding. These include public statements of concern, meeting more senior management/Board members and co-filing shareholder resolutions, with divestment cited as a rare and extreme measure.

- **Added detail around internal processes and beliefs**

  We added detail around our beliefs relating to Voting and Engagement to our policies to articulate our ESG philosophy to external parties.

Key changes made: ESG policies

- **Fixed Income ESG Policy**

  This was written in 2023. Similar to the existing ESG policies for Equities and Collectives, it covers the various aspects of the ESG approach relating to fixed income assets including our Philosophy, Approach, Screening and Engagement.

- **Collectives ESG Policy**

  Key amendments to the policy for 2023 are:

  i. confirmation of the annual review process for funds
  ii. additional context regarding the use of third-party provider ESG scores
  iii. an outline of our industry leading approach to engagement with Investment Trusts
  iv. mention of our comprehensive in-house due diligence questionnaire which informs our ESG assessment process.

- **Direct Equities ESG Policy**

  The policy was reviewed in early 2023, it was confirmed that there have been no changes to the existing process for equities, therefore no updates to the policy were proposed.

Approach to Stewardship Policy review

The current state policies were compared to various sources to find gaps; the rationale for each is laid out below:

- UN Principles of Responsible Investment (PRI) Transparency Assessment Criteria: understand gaps vs. the expectations of this assessment, given this is a widely accepted measure of industry best practice
- UN PRI's 'Making Voting Count' guidance: understand gaps vs. recommendations from a respected industry body, which we are a signatory of
- IW&I Internal Audit report: address recommendations made by our internal assurance function
- IW&I South Africa's policies: Understand differences between UK and South Africa's policies, to work towards standardisation across the two geographies
- Other industry best practice: understand what we would need to change to achieve a more industry-leading position.

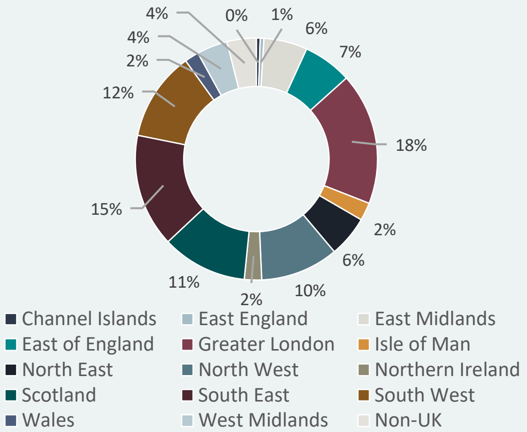
Incorporating client and beneficiary needs

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

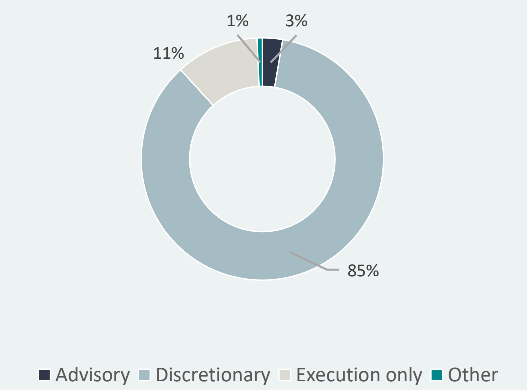
The charts below show an approximate breakdown of the full client base of Investec Wealth & Investment Limited. Although the September 2023 regulatory approval of our combination with IW&I saw our combined assets rise to over £100 billion, we are only able to report figures below for IW&I.

As at 31st December 2023, funds under management and administration at IW&I were c.£42bn.

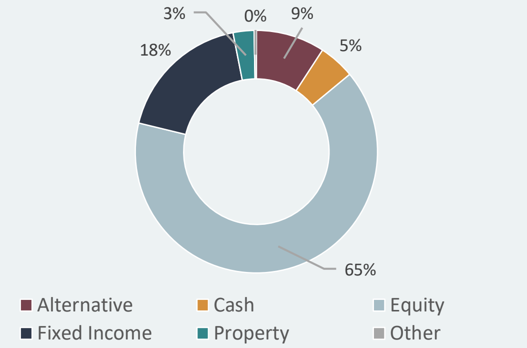
Number of portfolios by geographic region*



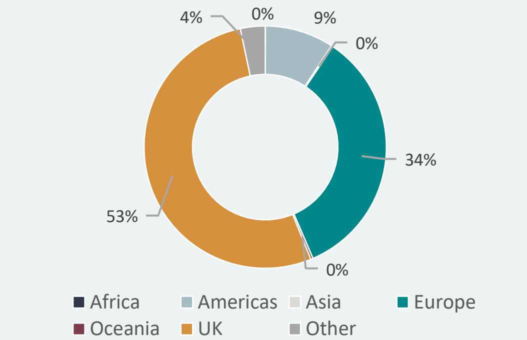
AUM by service type



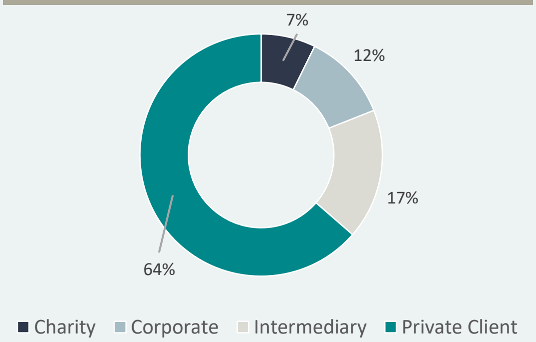
AUM by asset type



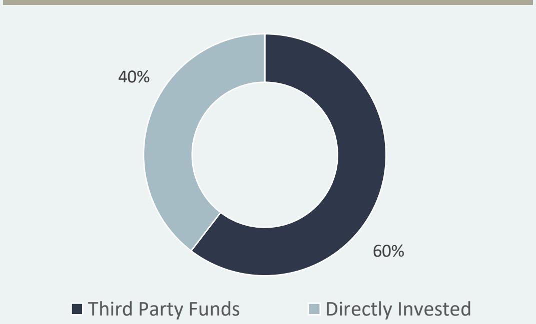
AUM by region**



Client type by AUM



Client invested assets



* Location of portfolios has been determined using the location of the client who owns the individual portfolio.
** Location of AUM has been determined using the country of registration of the asset.

Incorporating client and beneficiary needs

At IW&I, for discretionary clients, which are the vast majority of clients, we pride ourselves on our bespoke portfolio management approach. This means that it is our business to ensure that all aspects of a client's individual requirements are accommodated in the investment portfolios that we run on their behalf. We do this by correctly establishing our relationship with a client at the outset, and then by continually reviewing their needs, adjusting our services accordingly.

6.1 Incorporating client and beneficiary needs

- Before a client invests with us, our Investment Managers discuss the client's specific requirements from their investments and build a tailored portfolio which caters to this. In this process, the Investment Manager will establish the basic information that we require in order to manage money for a client. This will include understanding their return objectives, their attitude to risk and their capacity to sustain losses. Together this information establishes the general characteristics of the services that are most appropriate to them individually, including the time frame that is likely to be required to meet their objectives with an acceptably high probability of success. Our investment time horizon can vary in line with our client's attitude to risk, with a minimum of three years recommended for our low-risk mandate, up to a minimum of seven for our high-risk mandate.
- In addition, in defining the mandate for the delivery of our services to the client, our Investment Managers will establish any additional personal preferences or restrictions. There are a number of ways in which we tailor portfolios to reflect clients' preferences. Clients are able to request that we negatively screen out certain sectors or companies from their portfolio. We can also utilise Sustainalytics to identify companies (for direct equities only) engaged in activities which may conflict with a client's values, so that they can be excluded from their portfolio, to the best of our ability. For clients looking to promote positive ESG outcomes, we worked with them to agree how best to incorporate their preferences into the portfolio. This typically involves concentrating individual equity holdings towards those with lower ESG risk ratings or use of funds with a low ESG risk rating. We are monitoring the developing regulatory landscape in the UK to understand potential future opportunities to adapt our product offering to achieve a range of positive outcomes for clients.
- With regards to voting, should they be requested to do so, the Investment Manager can register a different preference, on an individual client basis, to that recommended by the firm's central policy on an 'opt-out' basis.

Once a client is invested with us, we ensure that their portfolio is managed in a way that is consistent with their goals through regular communication and update meetings.

To achieve this, we use a points-based system, where regular testing and scoring can tell if a portfolio is managed to mandate. We also have a range of other tests which include quality tests, concentration tests, diversification tests and a research stock test.

Should the testing identified that a portfolio no longer conforms to the mandate agreed with the client, the Investment Manager is expected to explain or remediate. If the Investment Manager decides to remediate, they can change the portfolio, often by trading back into line with mandate or they can change the mandate. If the Investment Manager chooses to explain, then they must provide a valid reason backed up by evidence. This explanation must be reviewed by a peer within the same team or office, who will then have 21 days to review the explanation. If the peer reviewer thinks the explanation and evidence provided is satisfactory then they will approve the portfolio. However, if they think the explanation is inadequate and further explanation or action is required then the portfolio will be referred back to the Investment Manager, who has 21 days to provide further evidence or explanation until the peer reviewer feels they can pass the portfolio.

Incorporating client and beneficiary needs

The Investment Risk department oversee this process and provide Management Information (MI), training, help and advice to Investment Managers and Senior Management. The Investment Risk team remains completely independent of the Investment Management function, which is important for oversight. They check whether tasks are completed in a timely manner and also check the quality of explanations and evidence provided as part of the Quality Assurance process. This consists of review and remediation work where required by the Investment Manager or Peer Reviewer depending on the audit. Each Investment Manager is subjected to a small number of individual reviews on an ongoing basis. An audit review is conducted by a member of Investment Risk team on the initial explanation by the Investment Manager, if the auditor is satisfied by the explanation they will pass the portfolio, however, if they feel the explanation or evidence provided is inadequate the Investment Manager will then need to remediate until the auditor is satisfied enough to pass the portfolio. A separate audit can be conducted on the approver to ensure a robust review has taken place. A pass or referral is then decided upon in the same way as the Investment Manager audit.

The Investment Risk team also provide a monthly MI report which is sent to Senior Management, Desk Heads in London and all Office Heads which gives an in-depth view of Suitability across the business. They also provide monthly data to the Conduct Risk Committee and escalate other issues to the Investment Committee and Board Risk Committee. The Investment Risk team are subject to a yearly external audit review. This audit is wide ranging and thorough, covering all areas from the MI they provide, Quality Assurance and how they monitor all areas of suitability. On top of this external audit, they are also subject to regular review by the Internal Audit team.

We subscribe to various data streams which allow us to construct bespoke reports in response to our client's specific ESG requirements. For example, we are able to calculate the greenhouse gas emissions per £1 million of revenues for the direct equity portion of an individual portfolio, which can then be compared to a relevant benchmark index. We can also calculate the average CDP score of the direct equity portion of an individual portfolio.

6.2 Communication of stewardship decisions and outcomes with clients

We report on our stewardship activity by publishing our voting activity on our website on a quarterly basis. Our half-year and full-year reports then include commentaries and case studies covering engagement and policy work.

There is currently no formal policy in place outlining the way in which we report to individual clients on their specific ESG objectives. We hope to enhance client reporting as we move towards integrating with Rathbones Group, and in light of the emerging regulatory framework.

6.3 Understanding client needs in relation to sustainability and responsible investing

In order to understand the responsible investing-related needs of our clients, we conducted a survey of our Client Council, accessed through The Wisdom Council (TWC). The questions asked clients:

- whether they want their investment manager to consider ESG factors
- which ESG topics they want to be given consideration
- what their level of understanding and interest was in relation to engagement
- which topics they would like their investment manager to engage with their investments on
- what kind of information they would be interested in receiving from their investment manager, on this activity.

These results will help us ensure our responsible investment proposition is aligned to client preferences, in line with our mission to maintain a client focus. With over one hundred responses, we look forward to analysing the results and using them to inform our approach to responsible investment.

Incorporating client and beneficiary needs

Our key means of evaluating client needs is through our Investment Managers, who are the key point of contact with our clients and meet with them regularly to assess their needs and how well they are being met. They are also responsible for managing their clients' investments and taking their needs into consideration. We receive and cater to bespoke client requests; for example:

Charity request for sustainable bond fund
Following feedback from our client-facing teams, we have begun to develop an enhanced approach to selection of fixed income funds. This approach will apply when our Research team conduct searches for new funds to add to our central coverage list. While ESG integration is already assessed during fund-selection, the enhanced process will focus on finding, per fixed income asset class, a fund where ESG is a named/core feature of what the fund does, for example through negative screening and/or measuring positive impact.

Ethical Restrictions
We can incorporate specific restrictions (against companies or sectors) on a client-by-client basis – a key benefit of our bespoke approach. We use Sustainalytics to help to identify and exclude specific stocks or sectors that are of concern to individual clients. We can formally screen out companies and can also advise as to the materiality of such restrictions on client investments. We can and do go beyond just basic screens for clients. Two examples of this are highlighted below:

- This year, we worked with a large arts charity that has considerable restrictions ranging from the obvious: "No Tobacco, Gambling, Armament and Thermal Coal" to including a lower threshold of acceptable CDP grade for companies in the Basic Materials and Industrials sectors. Additionally, this client has unique human rights screens in place for their portfolio.
- A client with an ethical mandate requested information on their portfolio exposure to specific sectors, including alcohol, tobacco, and gambling. Using data from Clarity AI, we were able to support the IM in providing a portfolio exposures report, outlining summary portfolio level exposure. In addition, to support the client conversation, we provided further detailed fund level exposure, including information on the type of exposure, production or participation.

The ability for us to handle this breadth of restrictions and screens puts us in a position to deliver highly-customised values-based investment solutions for our clients, and the fact that we have access to ESG data tools means that we can consistently implement such nuisance strategies for clients who require them.

Facilitating Fee Cuts
Additionally, understanding the need to minimise fee costs for clients, our Collectives Team have focussed on gaining access to cheaper shareclasses for clients, by engaging with third party fund providers. The resulting fee cuts have generated millions of pounds of savings for clients, including £2.4mn saved in annual fees, in calendar year 2023.

Supporting Clients' Reporting Requirements
As part of their annual review process, a client requested information on how we integrate ESG into the investment process. We were able to provide the IM with the relevant information, and a slide deck to assist with explaining the process to the client.

While we cater to a variety of client needs, we believe we continue to do more to better understand and serve our clients. Critically, we have acknowledged that we must build our internal expertise in sustainability and responsible investing to better serve our clients, so we developed a training programme, covering our Executive team, the Investment & Research Office and selected members of our client-facing team that was rolled out across 2022, and continued in 2023, as laid out on page 19.

The integration of stewardship with the investment process

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

We believe that good stewardship practice is a basic obligation in performing our fiduciary duties for our clients. Embedding robust stewardship understanding, practice and governance into the investment process is a therefore a pre-requisite in ensuring that the investment process is fit for purpose.

7.1 A foundation in our investment philosophy

We believe there are a number of ways we can generate returns for our clients by applying a thoughtful and distinctive research process. We focus on qualitative, fundamental factors in both our direct and funds research, using processes designed to identify high quality businesses that are well run, and fund managers who have demonstrable track records and processes to which we can align. We want our thought processes and due diligence to focus on the value we can add from looking deeper and asking differentiated questions. Frequently, this focus falls on understanding how the company or fund manager aligns with broader stakeholders, and the inherent risks and opportunities of their actions over the longer term. In addition to research sources, we put high value on access to people – company management, fund manager teams, and boards – and believe this can be a two-way relationship where exchanging information about our perspectives and expectations as investors can be of as much benefit as hearing about their own. This means that our investment philosophy aligns with our purpose and is fundamentally compatible with good stewardship.

7.2 Embedded naturally in our investment processes

- Building on the foundations of our investment philosophy, our centralised investment process is designed to deliver a fully researched universe of stocks upon which we can provide a bespoke portfolio management service to our clients. This means we must enable each client's portfolio to be managed to their specific requirements, including their return objectives, their risk appetites, their capacity for loss, their investment time horizon and their individual investment preferences, such as differing priorities relating to ESG criteria. Where non-centrally researched stocks are held, it is the responsibility of our Investment Managers to ensure appropriate due diligence is performed. More information is available in Principle 4.
- Since our governance refresh in April 2023, our Stewardship Manager sits on the Listed Equities and Collectives Committees, enhancing the level of integration between stewardship and the rest of the investment process.

The integration of stewardship with the investment process

- Each of our asset classes has a differentiated ESG analysis and stewardship strategy, given the different requirements of each. Although we do not aim for a 'one size fits all' strategy, there is alignment of our activities, and the team discuss this together, sharing best practice.
- Although we embed ESG analysis in different ways, we are aligned under a common focus to engage with those with whom we invest to ensure we generate good long-term outcomes for our clients. This engagement is considered a fundamental step in our research process and helps inform our final investment recommendations. We use engagement and ESG analysis as part of our due diligence before adding an investment to our centrally researched universe and we continue to use it as part of our ongoing monitoring. If we believe that the best interests of our clients' assets are no longer being met, we will use this as a catalyst to disinvest.

Our direct equity and fixed income ESG research is quality and cash-flow focused and incorporates ESG factors in a four-stage model as part of fundamental research. Our collectivised funds – which includes equity, fixed income, and alternatives options – are assessed according to a qualitative framework (the APPROVED process) which focuses on the quality of the management team and their execution; ESG analysis is one of the determinants of this quality.

- Although we utilise Institutional Shareholder Services (ISS) to inform our engagement and voting decision making in both direct and collectivised fund processes, we are committed to making our own assessments and judgments.
- The following sections detail how our Equity, Collectives, and Fixed Income Research functions have embedded ESG analysis and stewardship into their processes. Our policies can be found on our website (https://www.investec.com/en_gb/wealth/private-clients/about-us/responsible-investing-approach.html).

7.3 Direct Equities

- When making investments in equities directly, our investment process incorporates valuation tools that explicitly allow for ESG factors to be considered. The concept of Economic Profit rather than conventional accounting profit is fundamental to our judgement. We subscribe to research providers whose work, along with our own, help us assess and rank investments based on ESG metrics.
- On an annual basis, we screen all of our centrally researched equities from an ESG perspective. Any proposed additions to coverage will be reviewed on an ad-hoc basis, as will any existing covered name that suffers a material notifiable event.
- We use the services of Sustainalytics to provide a quantitative analysis of a company's ESG attributes. Informed by this data, we will consider a company's ESG credentials both in absolute terms and within a sub industry context, excluding from research any that pose a significant risk of destroying value through inadequate management of their specific ESG risks.
- Beyond screening out the worst performing names, we will provide the means for our Investment Managers to appraise the overall ESG score of a direct equity portfolio (where those equities are centrally researched) against the overall score for the MSCI UK IMI Index. This will reveal whether or not an equity portfolio's overall ESG metrics are better or worse than our domestic index and will highlight those names which are having the greatest negative impact on the overall score.
- Whilst bottom-up screening and scoring is a passive approach to ESG investing, we have the opportunity to be more active and use interaction with investee company management teams, (both the executive and non-executive) to engage on ESG matters. As well as soliciting more information about the significance of and priorities for ESG within a business, we can also communicate our own agenda.

PRINCIPLE 7

The integration of stewardship with the investment process

- Our ownership mentality dictates that we exercise our on-going governance obligations as if we were owners of those businesses. We vote on our discretionary shareholdings to protect our clients' interests, which, being assessed on the basis of economic profit, implicitly seek to ensure that all governance, social and environmental matters specific to our investee business activities are understood and well managed.
- We strive to meet the management, or senior representatives, of all our highest conviction companies on an annual basis, participating in several hundred meetings a year. Interactions will often extend beyond the executive and Investor Relations to the Chair of the Remuneration Committee or Company Secretary, if we have specific points of enquiry.

Example of an investment decision where ESG considerations were made:

Aerospace and Defence Company, US

A stock formerly on our research list performed well mid-last decade, under high demand for next-generation (modern / efficient) aircraft and strong underlying growth in passenger demand. However, it has been 'under review' since the first of their aeroplane crashes, over 6 years ago. Multiple factors have contributed to its lengthy 'under review' status, in particular the coronavirus pandemic and the more recent faulty plane issue which caused the plane to have to make an emergency landing.

Against the backdrop of additional recent controversies driving a c.20% decline in the share price year-to-date, our analyst was keen to take the company off our research list, due to further reputational impact. The stock was also thought to be on the cusp of a derating on Sustainalytics, which may have forced the company over our ESG threshold for coverage into a 'Severe' risk and the bottom half of its industry ranking. The previous ESG score was already close to this threshold, and we though it possible that the recent issues will see the company suffering a further derating, pushing it below the limit for research eligibility.

Despite the decline in share price and after adjusting for an additional ESG risk premium, there did not appear to be any significant upside to the company's share price particularly acknowledging the potential for extreme governance pressures, inspection costs and delayed or cancelled orders.

The committee decided to remove the company from research coverage, a decision which was unanimously approved by members highlighting the uncertain and long road to a confident recovery for the business, including further downside to the share price possible.

The integration of stewardship with the investment process

7.4 Collectives investments and third-party funds ('collectives' or 'funds')

Open ended collective instrument vehicles are an essential piece of IW&I's investment offering for our clients. Our ESG Philosophy determines that:

1. Incorporating ESG considerations into a non-judgemental, objective investment framework is consistent with maximising risk-adjusted returns by reducing risk and increasing the potential value creation over the long-term.
2. We do not put specific ethical requirements ahead of other criteria or incorporate moral judgements into the financial analysis of investable instruments.
3. ESG approaches should be appropriate for the asset class and strategy. They should only include those ESG considerations that may have a material financial impact on an investable instrument's future return given the investment strategy being employed.
4. Assessing the efficacy of an ESG approach should focus on 'inputs' rather than 'outputs'. It is necessarily qualitative and as such we do not use, nor do we seek to ascribe to funds' quantitative ESG 'scores' as a definitive measure.
5. Our ESG philosophy and its practical implementation is underpinned by evidence and logic. Some clients will have specific ethical requirements or other requirements that are inconsistent with our ESG philosophy. In practice, this means negative screening. As it is very difficult to accommodate specific negative screens into a range of fund holdings, we work with our clients to find solutions, which may mean the use of ethical funds under coverage, or the use of direct equities, where negative screening is easier to implement.
6. Our ESG approach assesses funds to ensure their ESG approach is consistent with our ESG philosophy and meets our qualitative APPROVED criteria. (See below.)

We focus on the ability of our third-party managers to integrate ESG considerations into their investment process in ways which are appropriate for their target asset class and style of active management as this can influence risk-adjusted returns generated by managers over time. Funds are assessed on at least an annual basis. Consistent with our philosophy and our current collectives research approach we do not use any current output (i.e. portfolio) based third-party quantitative ESG scoring systems as they only provide a snapshot of a manager's portfolio at a specific time, telling us little about how a manager integrates ESG related considerations into its decision making.

Third-party systems suffer from a lack of data, particularly for funds investing in private assets in addition to those investing in small-cap to mid-cap public listed equities which typically lack the resources to make comprehensive ESG disclosures and as such score poorly through lack of publicly available information rather than actual poor ESG performance. We recognise the value of quantitative metrics for individual securities when accompanied by detailed qualitative rationales.

Indeed, we expect our fund managers to use them. But when it comes to looking at funds, the fact that they are backward looking and tend to be without context or explanation makes them less useful.

However, we do not rule out incorporating them in the future should they improve in their usefulness.

We therefore leverage our deep qualitative understanding of how our third-party managers are pricing ESG related risks and opportunities, looking for this to translate meaningfully to investment decision making over time.

We are material investors in a number of listed funds (Investment Trusts) - like many of our third-party managers, we believe engagement is key to improving ESG outcomes and that this in turn will be accretive to their respective share prices. Identifying companies that can make a positive ESG journey requires rigorous qualitative ESG assessments and this is where in our view the active management community can add additional value.

The integration of stewardship with the investment process

Our Funds Process – APPROVED Framework

Requirement	Rationale	
Assets manageable	Scale of assets managed must be compatible with investment objective	Inappropriate scale of assets is a key driver of underperformance
Philosophy resonates	Intuitively appealing and able to deliver our required investment outcome	Investment team must articulate and demonstrate efficacy of investment philosophy
Process disciplined	Philosophy rigorously implemented with a consistent approach	Disciplined application of process to minimise risk of style drift
Risk managed	Investment process embeds appropriate risk management	Risk taken must be consistently commensurate with the returns delivered
Organisationally sound	All relevant aspects of the company organisation and infrastructure must be sound	Investment excellence is best supported by an organisation that exhibits all round excellence
Value for money	All costs are reasonable given value of investment objective	A large portion of active managers lose outperformance due to excessive costs
ESG approach	Clear evidence of a robust, dispassionate and suitable integrated ESG approach	Appropriate ESG approach will maximise risk- adjusted returns
Demonstrable talent	All investment individuals should demonstrate peer-leading investment skill	This is the first pre-requisite of achieving an investment objective

7.4.1 Our collectives approach to manager selection

- Consistent with the existing qualitative APPROVED framework our ESG assessment is driven by evidence and logic. Asset managers will be expected to clearly articulate their ESG approach and demonstrate its efficacy. A key component of our ESG assessment is our in-house Due Diligence Questionnaire which consists of more than one hundred questions. Asset Managers are required to complete this questionnaire to inform the ESG assessment process. In 2023, we added further questions to better understand the responsibilities of the stewardship teams, development in escalation policies and having full working profiles of all NEDs on the boards. Our approach focuses on the following - including, but not limited to:

Expectation	Rationale
Consideration of ESG factors is fully integrated into the decision making process	ESG factors considered should be material to risk or return and thus fundamental to asset analysis and therefore fully integrated into the investment process
ESG approach should be well established	Many ESG considerations are relatively new, but many are not; investors will benefit from approaches that are well thought out and well established
ESG approach is non-judgemental and evidence based	Only financially material ESG factors should be taken into account; do not get “carried away” or take into account non financially material risks, even if controversial
Full commitment to ESG	Memberships of bodies, adherence to codes, level of management buy in all serve to underpin ESG commitment and likely success
Resources	Full consideration of ESG risks will have resource implications; resources must be appropriate to the task at hand
Suitable for and consistent with strategy and asset class	Different strategies and asset classes will require different ESG approaches as ESG factor materiality will vary depending on investment type
ESG approach efficacy	ESG approach must be based on logic and evidence and its likelihood to improve client outcomes must be demonstrable
No over-reliance on external scoring to assess ESG risk of investment instruments	Low correlation of ESG scores between third-party providers reflects differing value sets; asset managers can outsource data provision, but not their principles
ESG approach at the asset management company level	Best ESG approaches will be undertaken by asset managers who themselves have strong ESG approaches at the corporate level
Engagement	If there is one ‘must have’, it is that fund managers fully engage and be active in voting
Passion for ESG and belief in it	Given evidence supporting need to consider ESG factors investment team must show suitable level of passion and engagement with ESG matters
Measuring ESG for both potential return and risk	Team can demonstrate effective process to analyse and measure ESG considerations both for potential return and also potential risk

The integration of stewardship with the investment process

We aim to achieve industry leading engagement and voting in relation to the Investment Trusts our clients invest in. We use Institutional Shareholder Services (ISS) to notify us of meetings in a timely manner, with ISS also providing initial guidance on voting action. We discuss voting and engagement in the Collectives Committee, ensuring our actions are reflective of our qualitative understanding of the funds under coverage as well as our beliefs in terms of best outcomes for clients. We meet the Chairpersons of the Boards of every Investment Trust under our coverage at least once per annum in order to ensure a strong understanding of the quality of governance being applied to the vehicles and to provide investor feedback if requested.

7.5 Direct Fixed Income

Given the asymmetric return profile of the asset class (the upside is typically capped, whilst the downside is significantly larger), we believe ESG is an important consideration when investing in fixed income assets, the focus is typically on managing downside risk. In the main, we see ESG integration as a toolkit and process that reduces the downside risks that are normally not found by conventional fixed income analysis. ESG upside opportunities in fixed income markets are not typical, however where we see value we will invest (e.g. green/sustainable bonds).

- Our ESG considerations are different per sub-component of the fixed income market:
  - For government bonds, we use a proprietary ten-factor scorecard, covering a number of social, governance and environmental factors, to assess ESG risks and opportunities. Supra-national agencies are reviewed annually using qualitative assessments to ensure their purpose and activities are consistent with delivering positive change to society.
  - For credit selection, we use a number of techniques. Corporate issuers are assessed using a number of quantitative-based ESG tools. In tandem with our direct equity research, Sustainalytics is used to highlight specific ESG matters (e.g. environmental credentials, business ethics and exposure to human rights issues) that may require further investigation and to filter out the worst performing companies in both absolute terms and relative to their industry group. Companies are also reviewed in terms of their commitment to environmental reporting through CDP and carbon intensity (carbon emissions relative to company revenue). Finally, companies are assessed with regards to the SDGs.
  - Numerous corporate issuers are private companies and the availability of ESG data can sometimes be mixed. These can include companies and sectors are that provide clear social benefits, such as social housing associations or utilities that focus on renewable energy. Where this is an issue, the team will conduct further analysis in order to come to a suitable conclusion.
  - The vast majority of our centrally researched corporate bond holdings are investment grade rated – which typically do not have a severe risk rating (as per Sustainalytics ESG risk methodology). Where data is available, we exclude securities that have a severe risk rating from our centrally researched bond list, with a review carried out on an annual basis.

New issue engagement

We understand that the ability to develop a dialogue with governments is difficult and government bond yields are mainly determined by economic growth, inflation and interest rates. A significant portion of our corporate engagement is related to investment grade rated issuers that are in the process of issuing new bonds. In addition, we collaborate internally with our equity research colleagues regarding engagement with corporates. ESG matters are reviewed at a quarterly Direct Fixed Income Committee that includes both members of the Research Team and investment practitioners.

Example of investment decisions with ESG considerations made:

A sector where we have taken a more cautious approach is the tobacco sector, especially given the fact that from a credit investment perspective, investment grade credit has an asymmetric return profile (the downside is greater than the upside).

We have observed that the demand for tobacco has in the developed world been on a long-term downward trend. Additionally, we have seen the UK government looking to enact legislation that would effectively ban the purchase of tobacco products for those below a certain age group (and below) effectively forever including when they were adults.

The integration of stewardship with the investment process

We currently have no evidence that other governments are likely to follow the UK government's policy lead, however it could set a marker for other countries to adopt similar policies in the future. This is not what we saw with New Zealand where their new government announced that they would scrap the country's law to ban smoking for future generations. However, given this backdrop, we have decided not invest in long-dated tobacco bonds in those mandates managed by IW&I's Fixed Income Solution given the sector's long term uncertain future.

Market pricing has already led to some cheapening of long-dated tobacco bonds, however we do not consider this as adequate compensation for the long-term credit risks in the sector.

7.6 Third-party service providers

- Some of the service providers that we subscribe to that help us make informed decisions on ESG matters include ISS, Sustainalytics, Clarity AI, UBS HOLT and Morningstar. We view the ESG risks that each company poses in the context of their industry specific exposure, guided by the Suitability Accounting Standards Board (SASB) / Sustainalytics' analysis. Sustainalytics, for example, produces detailed, industry specific analysis based on publicly available information and on their own engagement with the company. In addition, the climate metrics provided by Clarity AI, are a valuable input in the planning of our engagement activities for the year ahead.
- Although we are not driven by third-party scoring systems, we pay close attention to companies that score badly within whole industries that score poorly, since that can flag which companies pose the highest risk, from the investment perspective, within that industry.

7.7 Empowered, accountable, responsive and transparent stewardship governance

- Our stewardship governance structures and processes are set out in Principles 2 and 5.
- The structures are also integrated into our investment process. They are responsible for the both the design and supervision of good stewardship practice in the day-to-day decision making processes.
- They are empowered by the Executive to make decisions and are accountable to them for those decisions.
- The process is well resourced, supported by objective input from outside the investment process (the Compliance function) and is transparent to the business.
- These governance structures ensure that we respond in a timely way to specific controversies as they occur.
- These structures also enable the IW&I business to co-ordinate our approach to ESG with the wider Investec Group, producing greater impact in the service of our clients' interests and thereby those of all our stakeholders.

7.8 The role of the Stewardship team

The Stewardship Team's role is to design, coordinate, and communicate IW&I's stewardship activities. Key responsibilities are to:

- Liaise with members of the Research Team and committees to draw conclusions for engagement activity and identify opportunities for collaboration.
- Establish and maintain escalation and disinvestment policies.
- Vote according to our Voting Principles, linking voting activity to engagement, as appropriate.
- Support client-facing teams with client queries and needs relating to stewardship.
- Deliver periodic updates to the business and Investment Committee on stewardship activities.
- Deliver and monitor the firm's Stewardship Code submissions, liaising with multiple stakeholders (Sustainability, People & Organisation, Compliance, Senior Management etc.), as well as creating the annual Shareholder Rights Directive 2 disclosures.
- Input into the TCFD and UN PRI reports.
- Identify stewardship best practices and industry developments, liaising with industry partners / other investors where required, and lead projects to implement improvements across the business.
- Establish and oversee membership of investor groups to which we are signatories.
- Provide marketing support (content creation and external speaking) for the Investment & Research Office, as well as individual teams (e.g. charity pitches).
- Engage with service providers (primarily ISS) on a quarterly basis, to ensure they have clear and actionable criteria through which to support our voting process.

The integration of stewardship with the investment process

7.9 Differences in the approach to integration across geographies

Prior to the combination with Rathbones Group, IW&I was part of Investec Group, which also had a South African Wealth business (see p.12). Differences between the IW&I and the South African Wealth business' responsible investment approach are outlined below. Following the combination, the business is now "Investec Wealth & Investment International"; our businesses continue to work together until the integration with Rathbones Group completes.

ESG integration

As in IW&I, a factor inclusion approach is followed for our global direct equity mandates which are managed from London but used by our South African business e.g. the Global Sustainable Equity fund and Global Leaders fund – i.e. the discount rate is adjusted, based on ESG factors. The approach to ESG integration into local (i.e. managed from South Africa for South African clients) direct equity mandates differs slightly; the discount rate is not adjusted based on ESG considerations. However, ESG data is still considered and feeds into decision making in a qualitative manner.

All segregated mandates are being loaded into Morningstar, to enable carbon footprint data, alongside other ESG data points, to be monitored.

Product proposition

Two thematic, ESG-linked structured products are on offer in South Africa; one related to clean energy and one based on climate/environment score.

Voting and Engagement

Like IW&I, the South African wealth business also use ISS to inform their voting decisions. However, voting records are currently shared with clients on request rather than being published periodically. More detail on voting and engagement practices can be found here: IWI-Voting-and-active-engagement-policy-SA-updated.pdf (investec.com)

Monitoring third-party service providers

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

8.1 Investec group third-party service providers

- In common with all businesses, we use third-party service providers to help supply the day to day needs of a thriving organisation. We recognise our obligations to encourage good ESG behaviour to the benefit of the wider community in our selection and monitoring of all our significant third-party service providers. IW&I continues to follow Investec group policies and practices throughout the period covered by this report.
- We expect our counterparties to operate and behave in an environmentally and socially appropriate and responsible manner with the same high standards as we demonstrate ourselves. We engage with clients and suppliers to understand their processes and policies and explore how any environmental and social risks may be mitigated.
- Our specific standards for engaging with suppliers are set out in the 2023 Investec Group Sustainability report. These criteria include looking at the company's ESG report, understanding how management are incentivised to consider sustainability and held accountable for it, and understanding how the business contributes to its local community.

8.2 Third-party data providers

- IW&I uses multiple third-party services, accessed on a real-time basis, to provide to research, data and information in support of our investment process.
- We review the performance of all data service providers we use as inputs into the investment process, in the normal run of business at the time of contract renewal. This is typically on an annual basis.
- For example, in 2021, as part of our focus to improve our ESG screening capability, we acknowledged that in order to provide precise screening for a global portfolio, we needed a tool with an enhanced level of detail on a wider range of securities. We conducted a market assessment and agreed a replacement provider in early 2022.
- In 2023, following a detailed Request for Proposal (RFP) process, we onboarded a new data provider, called Clarity AI, to support our requirement to produce climate-related disclosures in accordance with the Task Force on Climate-Related Financial Disclosures (TCFD). Engagement with the new data provider has delivered the climate metrics required under TCFD which have served as a valuable input into our Stewardship and Engagement programme for the year ahead. Firstly, we ensured our contract with Clarity AI clearly outlined the requirement for the provision of climate metrics in support of our Taskforce for Climate-related Financial Disclosures (TCFD) reporting requirements. In addition to the standard carbon footprint and scenario analysis metrics, we requested a further breakdown from Clarity AI of temperature alignment information by category (e.g. 1.5ºC aligned, 2ºC aligned etc.).

Monitoring third-party service providers

8.3 Third-party fund managers: setting expectations and monitoring against them

Our expectations for third-party managers can vary to some extent based on their target asset class and strategy type. However, we expect all of our centrally researched fund holdings to score sufficiently well against our qualitative APPROVED framework which captures the key factors which we believe will be most impactful in terms of forward-looking out-performance potential. We expect asset managers to be resourced appropriately (both in terms of investment personnel and infrastructure and support functions), to provide regular and detailed reporting on performance and positioning, to ensure we are made aware of any material changes to their strategies in a timely manner, and to respond to specific queries in a detailed and timely manner.

We monitor the performance of all centrally researched fund holdings on a monthly basis, over a range of time horizons to ensure that funds are behaving in-line with expectations. Each researched fund is included in our Annual Quality Review (AQR) which is a detailed questionnaire that aims to highlight any material changes to a strategy which warrant further assessment.

Examples of actions taken when they have not met our requirements are set out below.

Third-party fund managers with whom we have invested our clients' assets are engaged with regularly thorough the year, including an annual in-depth questionnaire and separate operational and performance reviews.

Investment Trust Campaign, UK

In 2019, we wrote to c.80 Boards of investment trusts based in the UK, setting out what we, as substantial investors, consider to be best practice.

We have sent out a subsequent letter, earlier this year to a total of c.65 Boards of investment trusts, to reinstate our expectations from the trusts in which we work with. We want to enable our clients to benefit fully from effective stewardship of their assets and the advantages of the listed structure that the trusts sector provides.

Over the years there has been a lot of change within the investment trust sector, with the advent of a more diverse element to board composition, a wider range of underlying assets that can be accessed via investment in the sector and some consolidation amongst smaller funds. We welcome all these trends.

We value the independence of boards to provide strong oversight on behalf of our clients' capital, but diversity is not merely a facet of board composition but must also encompass diversity of thought and insight. Our letter emphasises some of the key areas in which we believe boards should be focusing on these include; enabling boards to challenge themselves more effectively, challenge their managers more constructively, get the best input from their corporate advisers and engage more successfully with their shareholder base.

Investment Trust, UK

IW&I met with other shareholders to express their views on the asset sales proposed by the company and on the future of the company.

We estimate that shareholders holding a majority of the ordinary share capital of the company were represented at both meetings. During the meetings, there was broad agreement on the following concerns, which we communicated to the Board in a letter:

- The proposed asset sales represent poor value for shareholders, and reflect a flawed and uncompetitive process;
- The Investment Advisor's right to buy the portfolio upon termination represents a structural impediment to shareholders ever receiving fair value from the assets and, as such, remains a critical consideration for any shareholders thinking about voting for continuation; and
- Urgent Board changes are required, and shareholders should be heavily involved in that process to ensure the new directors have the confidence of investors and possess the standing, mindset, and knowledge to be independent and capable of challenge.

The announcement of the Chair and Chair of the Audit and Risk Committee stepping down was a clear acknowledgement of dissatisfaction with the Board and strong appetite for board changes. We proposed candidates that we felt would better serve shareholders and urged the Board to make these changes as soon as possible. This culminated in a strategic review with an aim to increase shareholder value. We continue to monitor the situation and are encouraged by recent measures taken by the Board.

Monitoring third-party service providers

Private Equity Investment Trust

Governance: Buyback Scheme

Private equity trust discounts have historically been high; in 2021 the discounts to net asset value (NAV) of the trusts hovered around 30%. This was due to a variety of reasons (such as distrust of the valuations) but was heavily influenced by poor corporate governance with no continuation votes, almost no buybacks and the boards not working in the best interests of shareholders. As interest rate expectations rose in 2022, the discounts widened to c.40-55%. However, boards and fund managers noted their faith in the valuations of the underlying portfolio.

Our analyst agreed with the view that the portfolios would not have write-downs to the level the market was implying. Therefore, any buybacks at large discounts to NAV in the trust's shares would have been highly accretive. However, despite the attractiveness of the trust's own shares, boards had not undertaken meaningful buybacks or other viable methods to tighten the discount.

In 2022, we met with the Chair of one of these trusts and followed up with a number of email communications, requesting them to undertake large buybacks and to use a percentage of ongoing distributions from the underlying portfolio for buybacks, on an ongoing basis. This second point is notable, as to our knowledge, no other investors had suggested this before, and the Board had not taken this approach before or voiced the idea. Our requests eventually came to fruition in 2023; the Board announced a £200mn buyback and committed to using a proportion of ongoing distributions, for buybacks. While the buyback is not yet complete, estimates suggest that they will have added around 3.8% to the NAV of the trust already. Furthermore, the discount of the trust has tightened compared to peers, which is at least partly due to the improvements in corporate governance and enhanced faith in the Board to act in shareholders' best interests.

As our analyst recommended a novel idea and the board had not undertaken notable action before, we believe that our engagement resulted in significant improvement for shareholders.

Infrastructure Investment Trust

Governance: Board Effectiveness

In April 2023, one of our Research Analysts engaged with the Chair and the Manager to discuss the discount and how they would address it. The discount had been c.25% and was increasing, which raised concerns as to the governance of the trust.

In May, the discount had widened to 30% and the trust made the decision to use a third-party group to receive feedback on the trust by undertaking an "Investment Perception Study". We provided our views on what actions could be taken to stop the discount widening and generally improve the product.

In August, there were a number of additional points of engagement: we were "wall-crossed" to discuss a proposed merger which would bring the trust scale, a better maturity profile and could have closed the discount. While this proposed merger was likely beneficial to investors of this trusts, it was rejected by investors of the trusts on the other side of the deal.

We then met with the board and Managers in October, to discuss the discount, failed merger and future of the trust. The discount by this point was over 40% and we discussed how they hoped to instil confidence in the trust and close plans to reduce the revolving credit facility and discount. This meeting was also attended by one of our Portfolio Managers, a largest holder of the trust internally. This shows the collaboration between our Research and Portfolio Management Teams, on Stewardship matters.

A similar meeting was held in February 2024 and the engagement remains open; we are considering what type of escalation is most appropriate here.

8.4 The use of third-party services in voting

- Within this, our stewardship responsibilities and decision making is supported specifically by ISS. All voting decisions are ultimately our own, as we do not outsource any engagement or proxy voting responsibilities to third parties.
  As outlined above and in Principle 5, we make use of the information and conclusions provided by third-party service providers to inform our decisions, not to make them for us.

Monitoring third-party service providers

- In the case of ISS, the dedicated analyst for that particular company will review ISS's report and voting recommendations before making their own independent recommendations alongside the Stewardship Team, to the respective relevant asset class committee. This committee then uses the information supplied by both the analyst and ISS to inform their final voting decision.
- This year, we instructed ISS to cater to our evolving stewardship requirements:
  - We added the 'Meeting Results' service to our contract, to enable us to more easily understand the impact of our voting, and monitor levels of shareholder dissent / support at each meeting
  - We also instructed them to begin providing custom reports ahead of general meetings, following the work done on policy effectiveness, described in Principle 5.
- We generally find ISS's research to be thorough and conclusions well-reasoned. For the majority of ballot items, we find ourselves in agreement. However, there are many instances where we find we disagree and vote contrary to ISS, for example:

Soft Drink Company, Global

At the 2023 AGM, a shareholder proposal was put forward to Require an Independent Board chair. ISS were recommending to vote against this proposal and so to support management.

The company's governance guidelines state that, where the chair is not independent, then an independent director is designated as the presiding director, with nominated director ruling at board meetings where the chair is not present.

We believe that the chair usually is present at board meetings and shareholders have greater security if the Chair is independent. In the end, we voted against both management and ISS's view.

Energy Company, Multi-national

At the 2023 AGM, management had put forward a proposal recommending the approval of their Sustainable Development and Energy Transition Plan.

The ISS recommendation was to vote FOR and to support the proposal and therefore the plan. We however viewed the softening of emissions targets as disappointing for the company which claims that they are Paris-aligned.

We see this specific company has having the ability to be a potential leader within the Energy Transition space and therefore struggled to support the approval of their plan. In the end we decided to vote against management and disagree with the ISS recommendation.

Oil & Gas Company, UK

At the 2023 AGM, a shareholder resolution on Climate Change Targets was on the agenda with a recommendation from management and ISS to vote against. We voted to support the proposal.

Shareholders stated that they "support the company to align its existing 2030 reduction aims covering the greenhouse gas (GHG) emissions of the use of its energy products (scope 3) with the goal of the Paris Climate Agreement: to limit global warning to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5C°. The strategy for how to achieve these aims is entirely up to the board. They have our support."

The argument from the Board is that committing to absolute scope 3 emission targets would constrain the business and destroy shareholder value as the energy system isn't ready to move away from fossil fuels at scale. The results would be that in order to achieve the declining absolute scope 3 targets, the company would have to reduce its customer base. Those customers, would simply turn to the company's competitors to fulfil their energy needs. Therefore, they argue that nothing is achieved from a climate perspective, but shareholder value will probably be destroyed.

The counter is that another British Oil & Gas company had committed to reduce its oil & gas production by 40% by 2030. This was a commitment made under the new leadership team. Early this year, the same leadership opted to soften the target to only 25% by 2030 under the argument that the Energy Security crisis highlighted the continuing need for the firm to more readily maintain its traditional business.

The argument of waiting for critical scale in alternative energy markets to prove commerciality is prudent but risks that the company lags behind market trends and ultimately risks the terminal value of the business. We view supporting the shareholder resolution as a means of encouraging the Board towards a change in the company's business model that supports and enhances the long-term terminal value, which numerous utility companies have adequately demonstrated.

PRINCIPLE 9

Engagement with the issuers to maintain or enhance the value of assets

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

9.1 Principles of engagement

- It is our duty to engage with companies in order to deliver the best possible outcomes for our clients. We prioritise engagement with companies and trusts in which our discretionary clients in aggregate have the most exposure, either in terms of value or as a percentage holding of the entity
- We regularly engage directly with company boards outside of the traditional AGM cycle on matters ranging from remuneration to mandate change. Separate Listed Equity and Collectives Committees will oversee the execution of our governance responsibilities going forwards.
- We incorporate the third-party services of ISS when looking at voting and engagement. ISS provides analysis reports of the ballot papers at company and investment trust AGMs and EGMs, highlighting where the proposals are not aligned with best practice. We review recommendations to vote against management in our researched coverage when highlighted by ISS, regardless of the size of our aggregate position.
- We recognise that the majority of our investment activity takes place in secondary markets and that our influence lies less in our allocation of capital between companies than in encouraging the capital allocation decisions within those companies to consider the natural, societal and economic systems upon which they and our clients depend.

9.2 Engagement in practice

Engagement with the issuers to maintain or enhance the value of assets.

In Principle 8 we highlight examples of our engagement at both the investment trust level and the direct equity level. These exemplify how the rationale for engagement can differ on an ad hoc basis, from performance related issues to climate change and remuneration. Examples of engagement outcomes include the discontinuation (winding up) of investment trusts, managerial changes, board changes and dividend policy.

In this reporting period, our analysts have held over 350 meetings with our investee companies. This total includes c.150 meetings with operating companies, c.145 meetings with fund managers of open-ended funds and c.60 meetings with Chairs of Investment Trusts. ESG topics were discussed at c.50% of these meetings.

The Research Team (including the Stewardship Team) has also organised a minimum of 20 meetings with investee companies specifically to engage on ESG topics. IW&I have written to c.70 investee companies on an individual basis and have signed collaborative / multi-signatory letters to over 2000 companies, with the aim of encouraging better ESG practices.

Engagement with the issuers to maintain or enhance the value of assets

9.2.1 Key focus areas

Given our focus on maintaining and creating long-term value for our clients and society, we prioritise engagement on topics that are most material to each industry and asset class we invest in.

Our engagement with companies and funds is driven by a number of broad factors but typically focuses on the below:

- Investment or operational performance
- Gaining a better understanding of the risks and opportunities an investment faces
- ESG related matters, and how a company is addressing or improving these matters
- Changes in management/strategy
- Management incentives and remuneration
- Public controversies
- Capital allocation.

Our investment philosophy focuses on finding those companies that can deliver superior risk adjusted returns; high quality businesses that create economic value via excellent products and services, well managed with a prudent nature. We believe that the factors considered above help assess the quality of a company and any changes that could affect an investment thesis.

More specifically on the material ESG matters, we have identified the following Thematic Engagement Priorities, to engage on, going forwards. These align with Investec Group's two impact SDGs being on SDG 13 (climate action) and SDG 10 (reduced inequalities).

Direct Equities

IW&I use Sustainalytics' data, where available, on material issues, which is typically in line with SASB standards, to establish which topics are material to each of our holdings. IW&I have prioritised these issues based on the severity of Sustainalytics' scores across our centrally researched universe, combined with a consideration of the size of each holding.

Environmental factors

- Carbon emissions and waste management
- Resource use and environmental impact of products & services

Social factors

- Human capital (including diversity) and occupational health & safety
- Data privacy & security

Governance factors

- Corporate governance & business ethics
- Product governance

Real estate & infrastructure (direct and funds)

IW&I's internal analysis, third-party research and relationships with our holdings in this space lead us to believe that environmental factors (see above) are most material for real estate and infrastructure investments. IW&I will also prioritise the above social factors where appropriate (e.g. with social housing investments) and governance factors where appropriate (e.g. with investment trusts).

Equity, Fixed Income, and Alternative Funds

IW&I's focus in this space will center around factors deemed most material to these investments:

- Board diversity
- ESG disclosures
- ESG investment analysis
- Stewardship, with material issues prioritised

9.2.2 Engagement processes, outside voting

Given that our reasoning for engagement can vary on a case-by-case basis so too can our methodology of engagement:

- Face-to-face meetings with members of the board and fund management teams
- Meetings with Investor relations officers
- Meetings with those who do not sit on the executive board but are significant stakeholders in areas surrounding ESG or remuneration
- Video conference calls/ Phone calls
- E-mails.

These methods of engagement are used extensively across both the listed equity and collectivised investment vehicles.

Engagement with the issuers to maintain or enhance the value of assets

9.2.3 Non-voting engagement scope

- We are committed to regular engagement (in addition to voting) with companies that are on our researched list. The objective is for a relevant member of our Research Team to meet with them regularly. Whilst the majority of meetings were with the Chairs of Boards, CEO, CFO and Investor Relations, a significant number were with other representatives such as Chief Sustainability Officers or Chief Scientific Officers
- For collective funds under central coverage, our analysts aim to meet with the fund manager and the board of the investment trust at least annually
- There has been a greater focus on engagement with a broader universe of leaders within an organisation who may not be on the executive board but are significant stakeholders in areas surrounding ESG or remuneration. This gives us a better insight into specific issues that perhaps carry greater corporate governance risks, as well as giving us a different perspective on a company.

9.2.4 Addressing differing receptivity to shareholder engagement

- In our direct equity shareholdings, access to senior management is generally rationed by companies themselves on the basis of shareholder size. In addition, attitudes to shareholder engagement initiatives varies substantially by geography.
- Our success in maintaining meaningful active relationships, with a potential to influence company behaviour, is therefore greatest in our UK listed holdings, where we have the largest holding relative to the target company size and where the value of good governance is understood and enshrined in regulation.
- Although we target the same level of engagement, we have been less successful at consistently achieving our targets in non-UK holdings. This is because our exposure to non-UK companies generally merit less attention from the companies themselves, both because our holdings are less significant on the shareholder register, and also because local practices empower shareholders to a lesser degree. In some cases, voting is also more problematic. There are two main issues which arise when voting on overseas stocks:
  a) Beneficial ownership information must be provided in order to vote, where we worked successfully to resolve issues related to this through 2022
  b) Some markets have a long gap between when the vote is submitted and when the AGM takes place, during which time the shares cannot be traded which raises liquidity issues. In such cases, where we may be prevented from, or choose not to vote our shareholdings, decisions in both cases are taken with clients' best interests in mind.
- Accelerated digital migration has resulted in greater access to management teams, facilitating more frequent engagement at a more granular level than in the past. We intend to use this to increase our understanding of, and influence upon, the most important investments in our client portfolios (in-line with our Principles of Engagement), with an expectation that this will improve our contact with our international holdings disproportionately.

9.2.5 Third-party funds engagement

When meeting fund managers, the Collectives Research Team utilise their APPROVED framework which has been developed over many years and includes an analysis of a fund's ESG implementation.

For collective funds under central coverage, our analysts aim to meet fund managers at a minimum of once annually and will also meet with the boards of investment trusts annually. At these meetings, the analysts scrutinise investment performance, any operational issues, and governance. Management changes or public controversies prompt more frequent engagement.

Engagement with the issuers to maintain or enhance the value of assets

The team also send out a comprehensive annual questionnaire which is less focused on ESG criteria. The setting of objectives is often discussed in Collectives / Real Assets Committee meetings and then outlined in the minutes. The AQR is an annual exercise where all Researched funds are sent a detailed questionnaire and asked to complete a number of specific sections in relation to the funds within scope. Those sections are as follows:

Investment process and team	Corporate Governance
AUM and capacity	Fees and charges
Turnover and liquidity	Regulation
Cash, derivatives and securities	Litigation
Active share	Structure
ESG & Stewardship	Marketing

The responses are then reviewed by the appropriate primary analysts with any issues raised on the output document to be discussed at the Collectives or Real Assets Committee. Any responses which are outside of expectations can be identified and followed up on, depending on the nature of the issue.

The 2023 AQR process thankfully didn't identify any major risks to our underlying holdings that couldn't be handled in the normal course of business, through our continued due diligence process. The enhancements that we made have been very helpful in regard to Investment Trust Committee engagement and focusing on over-boarding. It has also helped us understand the stock lending processes of our underlying investments and have gained comfort that in practice stock lending isn't at levels we deem excessive and thus a potential risk. As ever pricing remains a key focus of our regular engagement with fund houses and we have continued to deliver on this front, saving nearly £2.4m in annual fees through accessing cheaper or newly launched share classes.

All AQRs have been completed this year and providers have been assessed, with follow-ups undertaken through the normal course of business.

9.2.6 Alternative Investment Market (AIM) engagement

We tend to own greater stakes in AIM companies given their relative market cap and the funds under management within the AIM IHT plan which target these companies. Position sizes can often range from 3%-10% which leads to benefits including better access to executive management and better relationships with them over a sustained period of time. Engagement will range from detailed discussion of results and strategy with executive management to discussion of remuneration policy or management changes with the boards. At our investee companies' AGMs, the managers of the plan review all resolutions and vote in line with our views, as stewards for our clients' capital. We use ISS as a guide but with our direct conversations with management we are well placed to make informed decisions. Any issues identified, the AIM team liaise directly with the central stewardship team and host combined meetings with management. The stewardship team are instrumental in our process to ensure the highest standard of governance from our investee companies. Companies within this space tend to be too small to be covered by Sustainalytics or other third-party suppliers, however the AIM team have an ESG policy in place for best practice.

Engagement with the issuers to maintain or enhance the value of assets

9.3 Equities

Examples of Engagement with Issuers

Banking & Financial Services Institution, Global

Social: Human Rights

Having seen allegations of the company's links to human rights abuses in Hong Kong, including freezing the bank accounts of activists, we considered a vote against the re-election of the CEO. Ahead of the AGM, we attended a call with the CEO, set up by the Investor Forum, to express our concerns and enquire about these allegations. We received sufficient assurance and evidence that the company was following due process and was not propagating human rights abuses and so we did not vote against the CEO at the AGM. The matter is being kept under review.

International Healthcare Business, Global

Governance: Board Structure & Remuneration

We met the Chair of the Nomination Committee to discuss significant shareholder dissent at the 2023 AGM. The meeting covered three main areas: 1) The board and its changes, 2) Capital structure and 3) the Remuneration policy and proposed changes.

We discussed the Chair of the Nomination Committee's commitments to ensure she was not over-boarded, and discussed board diversity as there was only one female and no ethnic diversity on the Board. Difficulty in finding a diverse pool of candidates was raised as a challenge, so we encouraged the company should consider running/supporting schemes that will result in a more diverse pool of candidates, in future. IW&I also encouraged expansion of the Board to include consumer healthcare experience, as Board members from different backgrounds can bring a new dimension to the board.

We also discussed governance, given a live Capital Markets Authority investigation of the company. We sought assurance that measures were in place to prevent a situation like this arising again in future.

Internet Retail Company, South Africa

Governance: Board Independence & Remuneration

Following a vote against the remuneration report at the 2023 AGM (and dissent by 15% of shareholders), we met the Company Secretary and Investor Relations to address concerns with their remuneration system and to ensure it was rewarding sustainable value creation. We also had material governance concerns related to differentiated voting rights and Board independence. The Board acknowledged that shareholders want change and ensured us that they receive shareholder feedback periodically from key shareholders.

Our team communicated the issues that they wanted the Remuneration Committee to pay attention to; in particular, having short-term incentives linked to closing the share price discount. We didn't feel the management team should be rewarded for this and the company assured us that they would raise these concerns in the next Remuneration Committee meeting, to address minority shareholder concerns with the remuneration policy.

The dialogue has positioned Investec to follow up on the next Remuneration Committee meeting, if the action the Committee decides to take is not deemed adequate. We also 'added our voice' to shareholders' Board independence concerns.

Leading Food Producer, UK

Governance: Executive Remuneration

Following the company's proposals to retrospectively change the benchmark for their Long-Term Incentive Plan, which could increase its size, we wrote a letter to the Chair of the Remuneration Committee. We expressed that we did not favour retrospective changes to targets. We also took the opportunity to escalate a concern raised in 2021, that the performance measures should be diversified as a priority, to include non-financial measures such as ESG themes. In a response, the Company Secretary stated that they will review these measures next year. We note that the company also has a new Head of its Remuneration Committee, so we anticipate positive changes.

Engagement with the issuers to maintain or enhance the value of assets

Oil & Natural Gas Production Company, UK

Environmental: Net Zero Targets

Our most recent meeting with this company involved a discussion on their next Climate Strategy; we signalled that we remain keen to see more granular disclosure, more interim targets and a move away from carbon intensity-based targets, to absolute targets.

Prior to this, during a meeting with the company in June 2022, we raised concerns regarding the lack of absolute Scope 3 emissions targets. Having seen little progress, we escalated by sending a letter to the company, prior to their 2023 AGM. This outlined five clear objectives that we wanted the company to meet, including setting medium-term absolute Scope 3 emissions targets, instead of carbon intensity targets. We then met with the company to follow-up and understand the challenges they faced in meeting the objectives they had set out.

We also attended the company's AGM in 2023 and then met the Chief Financial Officer to follow up and understand more about the company's climate strategy going forwards, including seeking assurance that they would not renege on their climate targets. Our engagement with this company remains open ahead of their next AGM.

Technology & Software Company, UK

Governance: Remuneration Policy

After the company circulated a letter explaining some changes in their Remuneration Policy that included significant increases in the remuneration of executive directors, we organised a meeting to express our concerns, which were augmented by a notably decreasing share price.

We met with the Chair of the Remuneration Committee, who agreed to discuss our recommendation to increase the percentage of the CEO bonus going towards purchasing shares, with the Remuneration Committee. We also suggested the idea of a potential deferred bonus scheme, considering the CEO was earning already in the high-top quartile for his base salary, so that a certain percentage of his cash bonus should have to be used to purchase shares.

Since this meeting took place, the CEO has already placed an order to purchase more shares.

We also discussed concerns around a large jump in the Chair's salary but took comfort from the fact that it is paid fully in shares, and received assurances that the salary would not be increased next year.

Manufactured Products & Diversified Materials Company, UK

Water Usage, Waste Management & Product Governance

We have had an ongoing engagement with the company after we noted that they had committed to 'improving overall water quality and where appropriate invest in treatment plans to remove impurities from water courses and minimise usage of freshwater'. Due to the structure of the business we wanted to be certain that there was sufficient governance and oversight of the water reduction policy. After numerous engagements where we have shared recommendations and examples in which they could follow the company have agreed that water reduction and targets is an area in which they will continue to develop improvement and will look to incorporate these targets in their 2024/25 reporting period.

We also sought an explanation as to why the volume of recycled waste significantly increased from 2021 to 2022, and the percentage of recycled waste has been steadily decreasing since 2018. The company put this largely down to increased revenues and improved data collection systems.

Finally, with a view to ensuring product quality, we asked whether company sites receive an external quality management certification to monitor, manage and improve the quality of products. The company confirmed that these are held at an operating level and while we would have liked to see an accountability at the group-level they have expressed that this is not something which deem appropriate.

Engagement with the issuers to maintain or enhance the value of assets

Food & Tobacco Production Company, UK

Human Rights & Gender Pay Gap

While the company (a group) states that it engages with stakeholders through 'training' on human rights in the supply chain, we wanted to ensure that this included a requirement for all of its entities to train suppliers on labour rights. We also wanted to know whether the company encourages individual entities to provide formal channels for supply chain workers to raise concerns.

The company discloses gender pay statistics at the operating level in locations where they are required to do so. We have been attempting to encourage them to include a higher percentage of the employee base in their disclosure and inquired whether they intend to set quantitative targets to decrease the gender pay gap. We have also discussed setting targets for increasing the number of senior women they employ in the business.

We found it difficult to engage with the company because they felt that it was down to the individual operating companies beneath their parent to be held accountable. We would have seen best practice has the group-level holding the operating companies to account.

Food & Tobacco Production Company, UK

Climate & Responsible Business

We noted that the company's total absolute carbon emissions and intensity ratios increased from 2021 to 2022, across all offices. We engaged to understand why this happened, and how the company plans to combat this trend, going forward. The company had a Scope 1 & 2 target verified by SBTi, but we wanted to understand whether they planned to set a more definite Scope 3 reduction target. We also asked them to share progress toward their target to reduce emissions per litre of product sold on an annual basis.

The company shared with us that they are in the process of developing a decarbonisation plan and so we will wait to see when their next set of carbon data is released the progress that will hopefully have been made.

We have discussed with the company why they don't have a Responsible Marketing Policy and they shared that they do several responsible points within their Marketing Policy but that they are looking at the feasibility of disclosing a stand-alone Responsible Marketing Policy.

9.4 Fixed Income

Financial Services Business, UK

Credit Lending

The group operates in several international markets and is a provider of non-prime consumer lending to retail consumers. From an ESG perspective, the company operations have a significant societal impact with some criticising the group's high cost of consumer credit.

However, discussions with the company enabled us to get a better understanding of the societal benefits of its business operations. As well as supporting consumers with irregular incomes (e.g., those that are not employed in regular salary jobs), the opportunity to access well-regulated providers of consumer credit at important life events has clear societal benefits.

Finally, the group highlights the importance of providing the right amount of credit and ensuring that borrowers do not overstretch themselves which only a regulated credit provider can do due to its sophisticated credit scoring systems.

Media Company, India

Governance Issues & Overdue Coupon

Concerned by overdue coupon payments, we emailed the company's CEO to ask for an explanation for the delay and an update on when the payment would occur. Failure to provide accurate and timely financial information was another key concern for us as holders of the retail bond, as was an open investigation into the company, by the regulator. We met with the CEO to discuss the above and are looking to meet with the company again.

Collaborative engagement policies and initiatives

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

10.1 Principles of collaboration

We support and seek collaboration with other shareholders, when it is necessary to increase our influence on specific issuer decisions, endeavouring to ensure that they are made to the benefit of our clients.

Our engagement and collaboration is typically prompted by a situation in which we intend to vote against or express our discontent with management decisions, where we may not have a material position in the investee company but where other shareholders echo our beliefs or concerns:

Examples of issues include::

- Situations where there is a lack of transparency
- Concerns over management or board competence and whether they will be able to deliver on their promises
- Concerns over the underlying assets and ultimately the performance of the investment.

10.2 Collaborative processes and outcomes

There are a number of ways in which collaborations have been initiated. We have written to fellow shareholders ahead of AGMs, detailing our concerns regarding a specific issue and also explaining what we feel would be a more beneficial outcome. We have hosted roundtables with fellow shareholders to express our discontent and to determine an outcome that can be agreed on by all parties. There are also cases where we do not initiate collaboration, but where a fellow shareholder approaches us. Ultimately, the collaborations carry a more powerful and meaningful message to management teams which consequently lead to better outcomes for shareholders.

Collaboration with other shareholders has led to a variety of outcomes which vary on a case-by case basis. Examples include, but are not limited to::

- Changes in management teams
- Discontinuation of investment fund
- Strategic reviews
- Dividend reassessments.

Collaborative engagement policies and initiatives

10.2.1 Increasing membership of industry bodies

In 2022, IW&I signed up to the IIGCC which was strategically important for us in order to be provided with a wealth of resources and opportunities to do more on fighting climate change. The IIGCC members have a total of €51tn AUM between them.

The IIGCC's mission is to support and enable the investment community in driving significant and real progress by 2030 towards a net zero and resilient future. This will be achieved through capital allocation decisions, stewardship and successful engagement with companies, policy makers and fellow investors.

The IIGCC is a renowned body for collaboration and will provide IW&I with the ability to influence policy, join and lead collective engagements with our holdings as well as resources to help us set net-zero targets and investing in-line with net zero. Investec will also have the ability to connect colleagues to their peers across the industry on the topic.

In 2021 IW&I became a full member of The Investor Forum, which helps investors to work collectively to escalate material issues with the Boards of UK-listed companies. Collective engagement is often the most effective way to challenge companies to change for the benefit of all stakeholders. The Investor Forum gives us an important platform to add our voice, together with other institutional shareholders, and help companies to operate in a way that ultimately leads to sustainable long-term returns for all stakeholders.

The Investor Forum gives us an important platform to add our voice, together with other institutional shareholders, and help companies to operate in a way that ultimately leads to sustainable long-term returns for all stakeholders. This year, we continued to use the Investor Forum as a conduit to meet company management. Our Stewardship Manager also undertook their twelve-week Development Programme for ethnic minorities.

10.3 Collaborative examples

Recognising that engagements often see more success when backed by a greater number of investors and more assets under management, we seek to engage collaboratively where possible. For direct equities, we make use of collaborative engagement initiatives such as the PRI's Collaboration Platform, Climate Action 100+, IIGCC and the Investor Forum.

Examples of areas of engagement in the period covered by this report include:

Amazon

Environmental: Carbon Emissions

One of our industry peers found that, "Amazon's reported emissions footprint, it appears that they are not completely reporting on all categories of scope 3. We signed the attached statement to persuade Amazon to provide more granular disclosure as they progress along their net zero journey. The letter set the following objectives for Amazon:

- Increased transparency in reporting of downstream transportation and distribution emissions to clarify how Amazon's normalized emissions could be so low relative to large general merchandise peers.
- Develop a plan to include more products and services in the reporting of emissions from the purchased goods and services and use of sold products categories.
- Provide clarity on why its emissions from employee commuting are so much lower than peers, whether this properly reflects the state of employee commuting emissions and if not, plans to correct this.
- Provide more granular detail on scope 3 emissions as opposed to more aggregated data and ensure such detail is consistent with the spirit of the CDP guidelines.

We have received a response from Amazon and are progressing towards further conversation with them, on this topic.

Collaborative engagement policies and initiatives

CDP Science-Based Targets Campaign

Environmental: Climate Targets

The annual CDP Science-Based Targets (SBT) Campaign offers CDP investor signatories the opportunity to accelerate the adoption of science-based climate targets, by collaboratively engaging companies on this matter.

The campaign kicked off in October 2023 and targeted companies, divided into three groups, each group receiving slightly different communications. None of the targeted companies have committed to or set science-based targets through the Science-Based Target initiative (SBTi). The groups are:

- Companies who disclosed they anticipate setting a science-based target in the next two years within their CDP Climate Change response,
- Companies who disclosed to CDP's Climate Change questionnaire but did not indicate they plan to set a science-based target; and
- Companies who did not disclose to CDP's Climate Change questionnaire.

IW&I's name was added to the letters, alongside other investors and companies, encouraging SBT adoption among the most impactful companies in the world.

Nike

Social: Labour Rights

IW&I signed an investor letter that described two cases of labour violations, where garment workers employed by Nike's largest international supplier were not paid legally owed wages and benefits in full in 2020, amounting to a collective $2.2 million owed to more than 4,500 garment workers in Cambodia and Thailand respectively.

The joint investor letter was sent to Nike, who had been aware of these two rights issues for three years. The investor letter emphasised the need for remedy in the form of payment of unpaid wages and benefits. It was drafted by a coalition of investors after consultation with NGOs and unions.

Nike was asked to show leadership, apply the access to remedy principle under the UN Guiding Principles and ensure that workers were adequately compensated for their lost pay.

Votes Against Slavery 2023: Investor Action on Supply Chain Transparency

Social: Human Rights

We were a member of this collaborative investor engagement with FTSE350 companies that have failed to meet the Section 54 reporting requirements of the Modern Slavery Act of 2015. As a member, we have joined Rathbones in engaging with c.30 companies to better understand their approach to tackling modern slavery within their supply chains. The outcome of this initiative was that, by the end of the year, 27 out of 29 targeted companies had become compliant or confirmed that no statement was required (and committed to made this clearer in future reporting).

WPP

Environmental: Carbon Emissions

Services across the PR, marketing and communication value chain can have a severe adverse impact on the climate, especially, when provided to high carbon emitting clients. The IPCC and the UN Secretary General have repeatedly stressed how companies from the Energy sector use targeted lobbying and doubt-inducing media strategies to derail climate change mitigation. Leaving so-called 'advertised emissions' unaddressed, may expose shareholders of PR and advertising companies to material business, legal and reputational risks.

The letter requested information from WPP and initiated a dialogue on how advertised emissions and services for high carbon emitting clients were being integrated as a key component in their overall climate strategy. We are awaiting a response from WPP and continue to track this issue.

Stewardship escalation

Signatories, where necessary, escalate stewardship activities to influence issuers.

11.1 Principles of escalation

- It is our duty to engage with companies in order to deliver the best possible outcomes for our clients. We prioritise engagement with companies and trusts in which our discretionary clients in aggregate have the most exposure, either in terms of value or as a percentage holding of the entity. In these situations, our shareholding gives us greater influence when escalating potential issues to investee companies.
- Similarly, to many of the points alluded to in Principle 9 and 10, our drivers of escalating our engagement typically arise from a potential issue that will have a material impact on shareholder value. These issues include the following:
  - Concerns relating to the impact of the holding on environment and society, or vice versa
  - Annual votes, containing proposals not in the general shareholder interests
  - A loss of confidence in management teams to carry out their strategy
  - Governance related issues such as a CFO also being Chairperson of a company
  - A loss of confidence in the board who overseas management operations
  - Questioning the quality of the underlying assets
  - Lack of transparency
  - Fee or remuneration structures
  - Public controversies
  - ISS reports which highlight potential areas for engagement.

11.2 Escalation processes and outcomes

- Where we own a material position in a company, we will engage with the management team or board directly, in an attempt to implement change. Alternatively, we will express any discontent through voting engagements and have in the past written to fellow shareholders expressing our concerns and detailing what we believe to be a more positive outcome. In certain situations, we will engage with fellow shareholders in order to increase the likelihood of generating a more beneficial outcome for our clients. For more information on our approach to collaborative engagement please see Principle 10.

Stewardship escalation

- Given the varied nature of our underlying investments, our response to these issues has been different on a case-by-case basis. There have been situations where we have been the largest shareholder of an investment and have effectively forced a complete review of an investment strategy. This has led to a number of changes, such as:

Managerial changes	Dividend alterations	Discontinuations of investment trusts	Improvements in the quality of the underlying assets	Fee reductions

- Our approach to engagement and escalation of stewardship activities varies very little across asset classes. One area that is more closely monitored is in investments into funds that target the private company space, both in equity and debt investments. Here, an element of trust is required in the underlying managers, given the lack of transparency which is allowed here relative to publicly listed investments. Furthermore, these types of investments also incorporate independent valuators which have previously been causes of contention. Engagement is key in these situations in order for us to gain a clear picture of the underlying portfolio and to ensure that management are carrying out their given strategy.
- Although not explicitly a different asset class, and as alluded to in Principle 9, our AIM division look to build material positions in the relatively small number of stocks they invest in and will look to engage with all investee companies when appropriate. They typically use ISS reports or company announcements as their starting point for engagement escalation, although are increasingly being consulted ahead of time by Remuneration Committee or Board Chairperson. Given the material holdings which they have in investee companies, they often have excellent access to executive management and therefore will consult with them on highlighted issues before voting against AGM motions. Scenarios in which they have escalated stewardship activities to influence issuers have typically centred on remuneration for management.

11.3 Our Escalation Policy

Our newly written Escalation Policy can be found on our website (https://www.investec.com/en_gb/wealth/private-clients/about-us/responsible-investing-approach.html), within our Stewardship Policy, and is also laid out below.

While we approach each engagement with the nuance required, our general approach to escalating an engagement is set out below.

Methods of engagement

To pursue our engagement goals with investee companies, we employ one or more of the following methods, as appropriate:

- One-to-one dialogue with management and Boards
- Joining a collaborative engagement, or establish one by raising concerns to one of the industry bodies of which we are a member, e.g. Investor Forum or UN PRI
- Abstaining or voting against management at AGMs/EGMs, exercising voting rights for assets over which we have discretion.

Methods of escalation

If the above methods of engagement do not yield a cooperative response from our holdings, we will progress to more acute means, as outlined below. Triggers for progressing to these methods will depend on the nature of the engagement goal, i.e. the materiality and urgency of the matter.

- Private, written correspondence
- Escalate 1-1 dialogue by speaking with senior management, the company's advisers, its non-executive directors, or the Chairperson, leveraging our relationships through Investec Bank Limited and Investec Bank plc, where appropriate
- Continuing to abstain or vote against management proposals at AGMs and EGMs

Stewardship escalation

- Public statement of concern, either 1-1 or in collaboration with other investors
- Co-filing a shareholder resolution, combining forces with other shareholders to increase pressure on management where we feel such action is in the interests of our shareholders
- Partial or full divestment may be considered as an extreme and rare measure, where we feel our concerns have not been adequately addressed. However, we generally favour retaining investments where we have ESG concerns, as this approach enables us to leverage our shareholder rights to encourage the business to address those concerns.

11.4 Examples of escalation

Specialist Solar Energy & Energy Storage Fund Ltd, UK

Aim

To better understand the number of external roles which a current board member holds.

Engagement summary

Throughout 2023 we have been developing an internal NED over-boarding system which is used to flag potential over-boarding of NEDs. A member of the NESF trust was flagged and following further analysis we voted against their re-election at the 2023 AGM.

Later in 2023, we circulated our annual due diligence questionnaires which now include a piece on over-boarding. After hearing back from the Trust regarding the individual's external appointments we were left with several questions.

Progress

We have contacted the trust and are waiting to hear back before we proceed with our 2024 calculation.

Emerging Market Investment Trust, UK

Aim

To understand how the firm measures and considers external roles.

Engagement summary

At the 2023 AGM one director was flagged under our internal over-boarding calculation for holding many external roles. After further analysis we decided to vote against their re-election.

In early 2024, the analysts had their annual review with the trust and continued to escalate the issue.

Progress

Since then, the flagged board member's tenure came to an end and so in their annual chair meet our analyst specifically discussed; how the board hiring and measure for potential over-boarding, the current commitments of the chair and how they split their time.

The new chair is stepping down from another external appointment and following this will sit comfortably within our over-boarding calculation.

Private Equity Investment Trust

Aim

To be assured that the boards key priority are current shareholders, rather than potential shareholders.

Engagement summary

The team have had a number of meetings and other forms of communication with the chair of this trust but unfortunately continue to question whether they are acting in the best interest of current shareholders.

Our analyst suggested large scale buybacks and using a proportion of ongoing distributions on buybacks to reward shareholders and utilise the c.50% discount. We were met with contempt due to the board wanting the product to be evergreen for future retail shareholders as well as keeping the trust large, to continue attracting more, large shareholders. These conversations were happening whilst the trust was trading at a material discount and large new commitments had been made to new funds, meaning the trust was not able to allocate capital to buybacks. We viewed this as a poor capital allocation decision, which benefited the asset manager over shareholders.

In our view, current shareholders' interests are the highest priority, with future potential clients being less important. We believed that the trust would still be of a suitable scale to attract large wealth managers even following the buybacks we were recommending.

On top of this, we viewed the Chair as being over-boarded and were unimpressed with the trust for having a non-independent board member: an employee of the business. Due to the combination of the factors mentioned above, Investec voted against the re-election of the Chair.

Progress

The trust has since announced that it will use a small proportion of distributions towards buybacks, which is a small improvement, which we believe we have contributed to.

The active exercise of rights and responsibilities

Signatories actively exercise their rights and responsibilities.

12.1 Principles of the exercise of investor rights and responsibilities

The exercise of our fiduciary duties on behalf of discretionary clients requires that IW&I fully discharge our stewardship responsibilities. These responsibilities include actively protecting and exercising the rights of our clients, as shareholders and beneficiaries. In order to do this, we retain full discretion when it comes to voting on our discretionary managed holdings, though in exceptional circumstances we may allow a client to take a different view.

Our governance structures to supervise the exercise of investor rights and responsibilities can be found in Principles 2 and 5. Our full Stewardship Policy can be found on our website, here: https://www.investec.com/en_gb/wealth/private-clients/about-us/responsible-investing-approach.html

Our voting policy can be summarised as follows:

Direct Equities

We will vote for discretionary holdings of centrally researched stocks (including overseas) when:

- We hold more than £10 million worth – we will vote on all ballot items, if necessary registering a vote against management where we identify any contentious items
- We hold less than £10 million worth but more than 1% of the shares – we will vote on all ballot items, if necessary, registering a vote against management where we identify any contentious items
- Positions of less than £10 million when the analyst identifies a recommendation against management – we will vote on the contentious issue as appropriate
- For holdings within our AIM inheritance tax plan, we vote on all of our discretionary holdings.

Investment trusts

We will vote for discretionary holdings of the following:

- All centrally researched investment trusts.
- Investment trusts which are not centrally researched but we hold over £10mn and/or over 2% of the share capital.

On our website, we disclose the following:

- Voting Policy
- Full Voting records for 2023
- Full Voting records for Q1 2024

The full policy can be found on our website (https://www.investec.com/en_gb/wealth/private-clients/about-us/responsible-investing-approach.html).

The active exercise of rights and responsibilities

As mentioned in Principles 2, 5 and 7, we enlist the services of ISS as a proxy advisor. ISS provides analysis reports of the ballot papers at company and investment trust AGMs and EGMs, highlighting where the proposals are not aligned with best practice. This is then reviewed by our analysts, who provide a recommendation to the appropriate Committee. We review any recommendations to vote against management as highlighted by ISS, regardless of the size of our position. We do not participate in any stock lending activities.

Amendments to our Voting Policy

We subscribe to the UK Stewardship Code's definition of stewardship as being "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." This is evidenced through the inclusion of Voting Principles in our Voting Policy. These range across environmental, social and governance topics and we state we will vote in support of these topics when we "feel it is in stakeholders' best interests", where "stakeholders" are defined as "shareholders and broader parties that can affect or be affected by a business or trust's operations and performance. These include a company's employees and the environment in which the business or trust operates. Considering these parties is in line with our corporate purpose. Please see Principle 5 for more detail on how we updated our Stewardship Policies in 2023.

12.2 Examples of Voting Against Management

Amazon.com Inc

Governance: Board members & Compensation

We voted against the re-election of three board members and the approval of the executive officers' compensation.

Following the 2022 say-on-pay vote, which only received support from 56% of shareholders, the compensation committee engaged with shareholders, disclosed specific feedback and provided further details surrounding the company's compensation programmes and long-term strategy.

However, we believe that the company did not make material changes to the compensation programme in order to address shareholders concerns, and so voted against the ratification of executive officers' compensation.

We demonstrated our dissatisfaction with the company by voting against the three board members on the compensation committee as well as the compensation proposal itself. We believe that by voting against numerous management proposals we demonstrated our disapproval and hope that this will encourage the committee and the board to address shareholder concerns. We will continue to vote against similar proposals until we are satisfied with the board's commitment and communication.

Vote outcome:

Re-elections of:

- Edith W. Cooper: **81%** FOR vs **19%** AGAINST
- Daniel P. Huttenlocher: **81%** FOR vs **19%** AGAINST
- Judith A. McGrath: **71%** FOR vs **29%** AGAINST

Advisory vote to ratify named executive officers' compensation: **68%** FOR vs **32%** AGAINST

Shareholder Proposals

We voted against management on nine shareholder proposals at the 2023 AGM, please find two examples below:

- We supported shareholders on their proposal asking the company to report on 'Impact of Climate Change strategy consistent with Just Transition Guidelines' (**27%** FOR vs **70%** AGAINST vs **3%** ABSTAIN). We are optimistic that, in 2024, the company will further disclose how they consider human capital management and community relations issues related to the transition to a low-carbon economy. This would support shareholders in understanding further how the company is managing risks.
- We also supported shareholders with their proposal asking the company to 'commission a Third-Party Study and Report on Risks Associated with Use of Rekognition' (**37%** FOR vs **62%** AGAINST vs **1%** ABSTAIN). We believe that by supporting this proposal it will encourage the company to further disclosure sharing the due diligence process and whether customers' use of products and services contribute to human rights violations. We will continue to monitor the progress of this topic.

The active exercise of rights and responsibilities

Anheuser-Busch InBev

Governance: Board members & Compensation

We voted against the (re-)election of six board members and the company remuneration report.

Only 27% of the board consists of independent directors, which is well below the market standard; we would expect the majority of the Board to be independent.

The impact that we hope to achieve by voting against the re-elections of these board members is to show our commitment to increasing the percentage of overall board independence. In terms of controlling versus restricted shareholders, we believe it is likely that the restricted shareholders will vote in concert with controlling shareholders' wishes/interests, as these are more likely than not to be aligned.

Vote outcomes:

- Sabine Chalmers: **76%** (FOR) vs **24%** (AGAINST)
- Claudio Garcia: **76%** (FOR) vs **24%** (AGAINST)
- Heloisa Sicupira: **79%** (FOR) vs **21%** (AGAINST)
- Martin J. Barrington Jr: **79%** (FOR) vs **21%** (AGAINST)
- Alejandro Santo Domingo Davila as Directors/Restricted Share Directors: **79%** (FOR) vs **21%** (AGAINST)
- Salvatore Mancuso as a Restricted Share Director: **79%** (FOR) vs **21%** (AGAINST)

Furthermore, we voted against the company's remuneration system. This system raised concerns, particularly regarding the lack of transparency on the short-term and long-term variable remuneration. There is a risk that this lack of transparency may obscure negative features of the management board's remuneration system, such as a high degree of discretion in the determination of variable awards. In addition, the company's remuneration system was not considered to be in line with ISS policy and local market practice:

Last year (2022), the non-executive directors' pay was considered to be excessive compared to that of peers;

The disclosure of the achievement of the performance metrics of the short-term and long-term incentive plans is below market standards;

Absence of disclosure makes it hard for shareholders to understand the link between pay and performance.

Vote outcome:

Approve Remuneration Report: **75%** (FOR) vs **25%** (AGAINST)

Glencore Plc

Environment: Climate Policy

At the 2023 AGM, we voted against management on the approval of Glencore's 2022 Climate Report. Our rationale was that we believe they need to improve their targets, in order align them with the Paris agreement.

In addition to this vote against management, we chose to support a shareholder proposal asking for further clarification and information in their next climate report, due in 2024. There were three key requests in the resolution;

- Disclosure of how the Company's projected thermal coal production aligns with the Paris Agreement's objective to pursue efforts to limit the global temperature increase to 1.5ºC;
- Details of how the Company's capital expenditure allocated to thermal coal production will align with the disclosure above; and
- The extent of any inconsistency between the disclosure mentioned above, with the IEA Net Zero Scenario timelines for the phase out of unabated thermal coal for electricity generation in (i) advanced economies and (ii) developing economies.

We hope that by voting against the Climate Report and for the shareholder proposal requesting further transparency, the company will provide clarity around how the company's goals and capital expenditure are Paris-aligned. We plan to engage with the company prior to the release of their 2024 climate report.

Vote outcome:

Approve 2022 Climate Report: **70%** (FOR) vs **30%** (AGAINST)

Shareholder resolution in respect of the Next Climate Action Transaction Plan: **30%** (FOR) vs **70%** (AGAINST)

The active exercise of rights and responsibilities

Hipgnosis Songs Fund Limited

Governance: Board Oversight

We voted against four items at the AGM and one item at the Special Meeting. This followed weeks of engagement with the Board, broker and alternative Board candidates whom we proposed for consideration of the Nomination Committee, in a letter to the Board.

We voted against the re-election of three Board Members due to governance concerns and the terms of the deal they proposed to shareholders. We voted against continuation because governance had been poor, with the board failing to be robust enough with the manager and the manager making avoidable errors, most notably in respect of tax. We also voted against the "Deal", a proposed disposal of assets to a related party at a price that was unattractive and the result of an arguably flawed process that limits competition and suggests conflicts of interest. With these votes we intended to trigger a board refresh, change of manager and less leakage of latent value from the group which would, in the medium-term, be in the best interests of preserving / creating value for our clients.

From the vote outcomes, we can see that all proposals failed to be passed through by shareholders and we were satisfied with the outcome.

Vote outcome:

- Re-elect Andrew Sutch as Director: **29%** (FOR) vs **71%** (AGAINST)
- Re-elect Andrew Wilkinson as Director: Withdrawn
- Re-elect Paul Burger as Director: Withdrawn

Approve Continuation of Company as Closed-Ended Investment Company: **17%** (FOR) vs **83%** (AGAINST)

Approve Sale by the Company of the First Disposal Assets to Hipgnosis SC IV (Delaware) L.P: **16%** (FOR) vs **84%** (AGAINST)

Templeton Emerging Markets Investment Trust plc

Governance: Over-boarding of Board Member

We voted against the re-election of the Chair of the Board, as we believed they were over-boarded. They held a number of external roles including two further Chair roles of operating companies which we believed would occupy a significant amount of time. In the end, we were uncomfortable with the risk of voting for the re-election of a Chair who may have struggled to conduct the level of oversight required of them and we hope that going forward the board will take the number of external roles their members hold more seriously.

Following the vote against, we did not hear from a member of the board, but in their annual review with the trust, the analyst met with the chair and expressed our concerns around over-boarding.

Over the last year, we have developed an internal over-boarding scoring system which we use for Investment Trusts; this adds a layer of analysis on top of ISS' recommendation and involves additional due diligence to ensure we have a full view of the commands on Non-executive Directors' (NEDs') time.

Going forward, we will continue to encourage limited external roles across NEDs of boards, and we hope to see the chair of TEMIT's appointments decrease.

Vote outcome:

90% (FOR) vs **10%** (AGAINST)

The active exercise of rights and responsibilities

Deere & Co

Governance: Severance Agreement

In Q1 2024, we voted to support one of the shareholder proposals on the agenda at the Deere & Co AGM; Submit Severance Agreement (Change-in-Control) to Shareholder Vote.

Following the result of the vote, we noted that a large proportion of shareholders supported this shareholder proposal. We believe that it is best practice to submit to a shareholder vote on any severance agreements. It allows for investors interests to remain protected and as a result would seek to retain the power to have final approval on severance pay linked to a change-in-control. We hope that our vote will have an impact through encouraging the company to improve their severance agreement to better protect shareholders. Going forward we will look to further engage with the company prior to their 2024 AGM.

Vote outcome:
38% (FOR) vs **62%** (AGAINST)

Apple Inc

Social: Pay Gap and Ethical use of AI

We supported two shareholder proposals at the AGM in Q1 2024.

Firstly, we voted against management with the intention to encourage a report on median gender/racial pay gap. There was a similar shareholder proposal last year, which we supported. We are hoping to influence the board into publishing their gender and diversity statistics for their US & Global work force. Currently, they are only disclosing their UK figures, which are mandatory, but we believe further disclosure would be beneficial to shareholders. The proposal received significant support this year and we will look to continue voting for such proposals until the company broadens their disclosure.

Vote Outcome:
31% (FOR) vs **69%** (AGAINST)

Secondly, we supported the shareholder proposal requesting a report on Apple’s use of AI. The company's lack of disclosure regarding AI limits shareholders' ability to evaluate the risks associated with the use of AI or the actions the company is potentially taking to mitigate those risks. We hope that our vote to support the shareholder proposal will show our support for improved transparency and the disclosure of an ethical guideline may alleviate shareholder concerns. While the company's existing guidelines and practices broadly address topics mentioned in the proposal, they do not specifically identify the potential risks resulting from the use of AI raised by the proponent. Improved transparency surrounding the company's use of AI within its business operations and the disclosure of an ethical guideline specifically related to AI may alleviate some of shareholders' concerns. We will continue to support similar shareholder proposals.

Vote Outcome:
38% (FOR) vs **62%** (AGAINST)

12.3 Monitoring our Voting Rights

We monitor our voting rights to ensure we are voting in accordance with our Voting policy.

We maintain a central log of centrally researched listed equities and investment trusts and monitor our holdings via our ‘investment book of record’ - our back-end system that stores holdings data. We run a ‘liquidity report’ to ensure we know where our holdings pass the threshold laid out in our Voting policy. The AIM Team maintains their coverage list and monitor holdings via the same investment book of record.

These data points are collated into a list and sent periodically to ISS, who then send us the relevant meeting (e.g. AGM/EGM) notifications for the companies and trusts.

Appendix

Review, approval and sign-off

This is IW&I's fourth UK Stewardship Code report; it was compiled by reviewing, updating and enhancing the content of the last report, which was published in 2023.

The following teams have contributed to the report: Research & Portfolio Management, Client-Facing, Compliance, Group Sustainability, People & Organisation, Learning & Development and Marketing.

The content of the report was reviewed by IW&I's Investment Committee, before it was submitted to the Management Committee. It was given final approval by the Group Responsible Business Committee on 25 April 2024; this included the approval of the Chief Executive Officer (CEO) of Rathbones Group, Paul Stockton, who chairs this committee. This report has therefore been signed off by our CEO.

RATHBONES | Incorporating Investec Wealth & Investment (UK)

The information in this document is believed to be accurate at the time of publication. The value of investments and the income derived from them can go down as well as up and you may not get back your initial investment.

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Birmingham	0121 232 0700	**Edinburgh**	0131 226 5000	**Leeds**	0113 245 4488	**Sheffield**	0114 275 5100
Bournemouth	01202 208100	**Exeter**	01392 204404	**Liverpool**	0151 227 2030		
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