Brooks Macdonald

Responsible Investment Policy Statement

September 2023

BROOKS MACDONALD

Contents

This page has interactive elements, please click the text menu below to navigate to that page.

Introduction

This document describes our responsible investment policies and practices. To us, acting as a responsible investor means we act as responsible stewards of our clients' capital by integrating consideration of Environmental, Social and Governance (ESG) factors into our investment processes and active ownership practices. ESG integration is the explicit and systematic inclusion of ESG issues into investment analysis and decision making. We believe that an investment's ability to identify and effectively manage ESG risks and opportunities increases the likelihood of it delivering strong long term, risk adjusted returns.

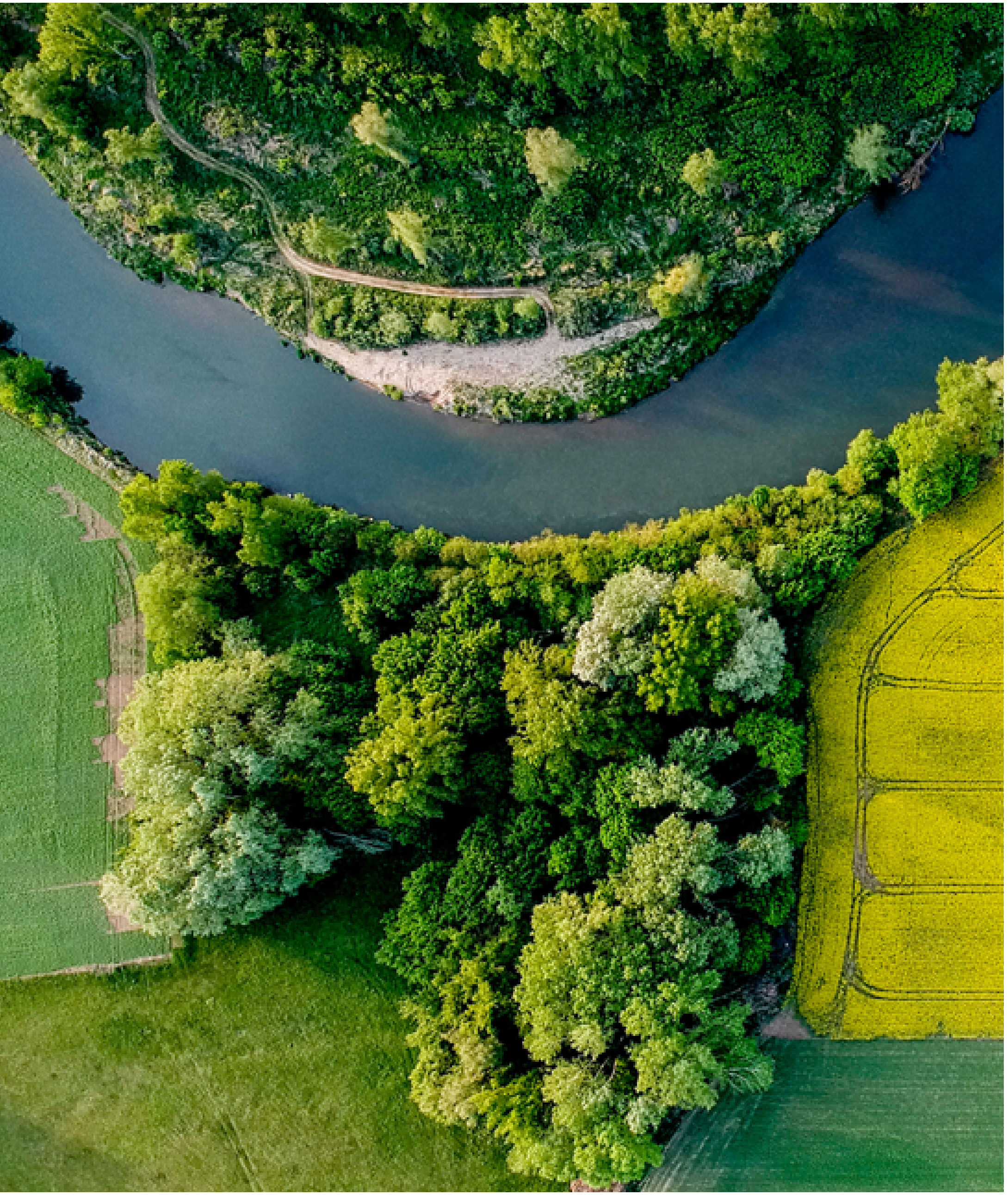
With increasing policy, regulatory and societal focus the potential materiality of ESG considerations is becoming more evident. Our approach therefore aims to assess the exposure to, and management of ESG factors, complementing our wider analysis and enabling us to make more informed investment decisions. We believe that by incorporating an assessment of ESG risk into our investment process we have a more holistic understanding of investment risk which, taken alongside our view of the investment opportunity, is designed to improve client outcomes.

Active ownership means we actively monitor for ESG risks throughout the life of a buylist investment, exercise ownership rights (including voting on company resolutions) and engage with companies and fund managers on ESG matters that can have a material impact on our client's investments.

We are continually looking to improve our approach and therefore incorporate any change as our investment research is periodically reviewed. Investment research that has not been updated since the latest changes to our approach may therefore reflect the framework used in an earlier iteration of our Responsible Investment Policy Statement.

Brooks Macdonald is a signatory of, and is committed to implementing, the six principles of the United Nations supported Principles for Responsible Investing (PRI) in our investment management activities.

We also understand the importance of reflecting these beliefs in how we manage our own business. For more information on our corporate sustainability agenda please refer to our ESG brochure 2023 which is available on our website.



Governance and oversight

Role	Responsibility
Chief Investment Officer (CIO)	Executive responsibility for responsible investment
Investment Committee	Chaired by the CIO and responsible for: • Setting and reviewing firm level responsible investment, and stewardship policy statements • Providing advice to the CIO on responsible investment matters
Asset Selection Committee	Chaired by the Head of Research and responsible for: • Monitoring and oversight of policy statement implementation and effectiveness • Assessing ESG analysis in investment research • Overseeing engagement and proxy-voting activities
Sector Team Heads and all Investment Managers	Responsibility for considering ESG factors in investment research and decisions.
Sector Team Heads and Fund Managers	Day-to-day implementation of engagement and proxy-voting activities.

ESG integration

Common principles and research disciplines are applied, to the greatest degree possible, across all research activities within a robust and transparent framework. However as global multi-asset investors, our approach to assessing ESG factors is tailored to each asset class and the vehicle used to invest in each asset class.

ESG issues can be broad and varied

- **Environmental** – the impact the company has on the environment. Areas of analysis may include carbon emissions, climate-related risks, resource depletion (including water, waste management and recycling), pollution or biodiversity loss.
- **Social** – the impact the company has on society. Areas of analysis may include human rights, labour rights and standards, diversity & inclusion, supply chain management, community engagement, conflict, health and safety,
- **Governance** – the process by which a company is managed and overseen. Areas of analysis may include executive pay, board diversity and effectiveness, shareholder protections and rights, tax strategy, transparency, corporate culture.

Asset allocation

ESG factors are considered as part of our assessment of which themes and sectors we allocate our client assets to.

Third-party funds

Funds managed by third-party fund managers make up the majority of our clients' investment portfolios. We expect managers to integrate ESG analysis into their investment decisions and stewardship activities as we believe this enhances the chances of our clients benefitting from improved risk adjusted returns over the longer term.

Our client portfolios are highly diversified and invest in several asset classes. We have developed a core ESG integration framework which forms the basis of our approach; however we have tailored it where appropriate. This is to ensure our assessment of each asset class focuses on the most informative and material information available and acknowledges that ESG integration is less well developed in certain asset classes. Below we have outlined the key inputs to our core approach as well as examples of how we assess asset classes that fall outside of its scope.

Core approach

Our core approach utilises three key inputs; a questionnaire, external ESG data and fund manager engagements.

1. Questionnaire

We use a structured questionnaire format to help us evaluate both the inputs and outputs of a funds process. The questions are split into three sections:

Corporate - focusing on firm wide policy, oversight and activity that supports ESG integration and stewardship commitments.

Strategy - focusing on the specific ESG inputs to the fund being assessed, how ESG risks (including climate-related risks) are managed, and stewardship responsibilities enacted.

Review - focusing on any changes to the team or process, portfolio composition and changes, and stewardship activity.

2. External ESG data

Alongside the qualitative responses to our questionnaire, we incorporate ESG data from Morningstar (powered by Sustainalytics) and Clarity AI, where relevant data is available, into the fund assessment process. We consider four key areas:

1. Material corporate controversies
2. Carbon-related risks
3. Product involvement in potentially harmful activities
4. Overall ESG risk management

A detailed Morningstar sustainability report is split into these four topic areas and includes data at both a fund and underlying holding level to provide a comprehensive view of the fund being assessed. This is supplemented by additional reporting from Clarity AI on carbon-related risks.

Key outputs from the Morningstar report and Clarity AI are incorporated into our fund ESG traffic light dashboard. This is a tool to help sector research teams identify important areas of consideration. If these metrics are below a defined threshold then an amber light is triggered and there is a formal requirement to assess what is driving the data point, including reviewing Sustainalytics company level reports and engagement with the fund manager.

We do not rely on the data to determine alignment to our expectations. Instead it is used to help highlight areas for further investigation and discussion.

3. Fund manager engagements

Fund manager engagements are a key part of the research process as they provide the forum to gain greater insight into the process. We expect fund managers to identify and effectively manage ESG related risks and opportunities and where our research identifies concerns that this might not be the case, we will engage with them, and if we are not satisfied with responses we will not invest.

This approach has broad application across our equity and fixed interest sector teams, whilst also covering elements of our alternatives universe.

Government bonds

For single or multi geography government bond funds we integrate the Morningstar country risk score which considers a nation's natural capital, human capital and institutional capital. Similar to the corporate ESG traffic light dashboard, if this score is below a defined threshold an amber light is triggered and if the analyst wishes to propose the fund for buylist inclusion they must address the Morningstar risk assessment and outline why they believe it is still suitable for inclusion.

Property

We have developed a proprietary ESG research template for Real Estate Investment Trusts (REITs) that draws on environmental data that is increasingly being incorporated within REIT disclosures. Examples of the information that is captured include Energy Performance Certificate (EPC), GRESB and BREAM ratings carbon emissions, energy/water consumption, and the percentage of energy procured from renewable sources. This template enables us to assess key environmental impacts that are relevant to investing in physical property, monitor progress over time and conduct peer group analysis. The data is considered alongside the REITs annual/sustainability report, with insights and observations informing fund manager engagements and investment recommendations.

Infrastructure

Investment companies that finance infrastructure can have a clear positive social and environmental impact with favourable longer-term investment tailwinds. However, unlike the property sector there are no consistent ESG focused data disclosure frameworks due to the variety of asset types. Therefore, our analysis focuses on reporting produced by the company. The quality depth and breadth of this reporting is improving rapidly, and it can provide meaningful insight into the material impacts of the assets as well as the treatment of stakeholders. This information helps inform fund manager engagements and investment recommendations.

Direct investments

Although the majority of our client's investment exposure is via third party funds we also invest directly into several asset classes.

Equities

When investing in direct equities, we take a bottom up approach to considering ESG factors in our due diligence process. We undertake our own research to assess ESG risks and opportunities, in conjunction with utilising a range of external ESG data sources.

In alignment with our fund research approach, we consider Morningstar and Clarity AI ESG data across four key areas.

1. Material corporate controversies
2. Carbon-related risks
3. Product involvement in potentially harmful activities
4. Overall ESG risk management

Key metrics are incorporated into our direct equity ESG traffic light dashboard. Where these fall below a defined threshold an amber light is triggered highlighting an area for further investigation. This quantitative information is considered alongside the Sustainalytics company report which provides greater context to the data, sector specific considerations, a review of the company reporting (annual/ sustainability reports), and a governance assessment provided by our proxy-voting service provider, Institutional Shareholder Services (ISS). In addition, following the principles of our approach to asset research, a fundamental analysis of the investee company is undertaken, including its capital structure. We will also meet with companies where we have a significant holding so as to improve our understanding of their business, their strategy and their commitment and approach to ESG management. These inputs provide us with a holistic understanding of the material ESG related risks and opportunities attached to potential investments helping to inform our investment recommendations.

Bonds

We have an established partnership with an external research firm called Ambra Research who provide our direct corporate bond research team with extensive due diligence information on the issuers that we either hold or that are under consideration. This includes data on ESG factors.

For direct government bonds, in alignment with our fund research approach, we consider the Morningstar country risk score and if below a defined threshold an amber light is triggered and if the analyst wishes to propose the sovereign for buylist inclusion they must address the Morningstar risk assessment and outline why they believe it is still suitable for inclusion.

Structured return products

We utilise the Ambra Research analysis of the banking counterparties that we have on panel for structured return products.

We are continuing to review and develop our approach to ESG integration across the asset classes and vehicles that we invest in to ensure we continue to consider the most relevant and material information that can help improve client outcomes.

Defensive Capital Fund (DCF)

Our DCF is a multi-asset fund that sits within the IA Targeted Absolute Return sector. In order to meet the specific objectives of the fund, and the broad range of asset types considered, the investment team have developed their own proprietary framework for assessing ESG risks and opportunities which differs to the approach outlined in this document. Additionally, the Defensive Capital Fund does not follow our centralised approach to voting but votes on all holdings and conducts in-house research in order to make voting decisions.

Our Responsible Investment Service

Whilst we consider ESG factors across all our products and services, we also manage a Responsible Investment Service (RIS) where the two strategies have clearly defined responsible investment objectives alongside financial objectives.

Advance

The Advance strategy is designed for clients with the dual objectives of aligning their portfolio with a defined set of sustainability objectives and return generation. The strategy takes a broad approach to sustainability investing in funds which provide investment exposure to:

Responsible businesses: businesses that take ownership of their environmental and social footprint and are taking steps to increase their positive impacts and minimise their negative impacts on the planet and society.

Solution providers: businesses providing products and services that are positively contributing to addressing sustainability challenges. The strategy is framed in the context of eight core sustainability themes when analysing these businesses:

- Cleaner energy
- Resource efficiency
- Water and waste management
- Sustainable transport
- Health and wellbeing
- Safety
- Education
- Financial inclusion

We publish a biannual report which shows the alignment of the Advance strategies to the eight sustainability themes. The report also contains company case studies and insights into sustainability and responsible investment debates.

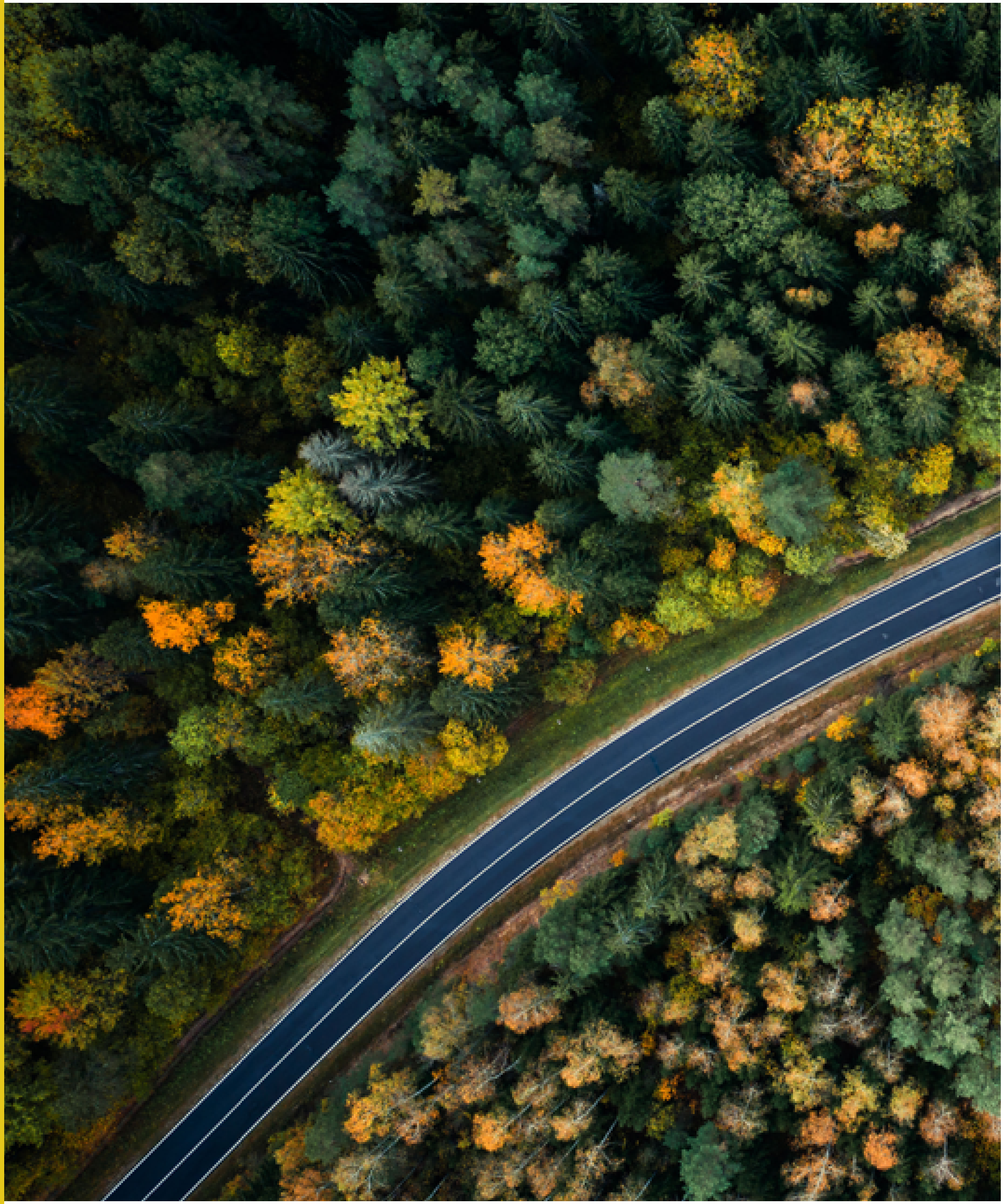
Avoid

The Avoid strategy is designed for clients with the dual objectives of formally excluding companies involved in the production of certain goods or services and return generation. The strategy has a formal exclusion policy on the following five product areas.

- Armaments
- Tobacco
- Alcohol
- Pornography
- Gambling

RIS invests in third party funds, and like our core ESG integration work, research is based around three inputs; Morningstar and Clarity AI ESG data, a structured questionnaire and fund manager meetings. However, there are meaningful differences to reflect that responsible investment characteristics, as defined by Advance and Avoid, are a formal part of strategy objectives, rather than purely an input into the risk assessment. These include tighter thresholds on the traffic light dashboard and a more extensive questionnaire structure.

We see our RIS as a key growth area due to the increasing client demand. The Advance strategy can be accessed through our Bespoke and Managed Portfolio Services (platform and custody), and the Avoid strategy can be accessed through our Bespoke Portfolio Service. For more information on RIS please visit the Responsible Investment Hub on our website.



Climate change and the Task Force on Climate-related Financial Disclosures (TCFD)

We recognise the serious risk climate change presents to the world and view it as a critical investment issue that can materially impact on the long-term value of investments if not managed properly.

We support a transition to a low-carbon economy and the Paris Agreement to limit global warming to well below 2 degrees Celsius above pre-industrial levels, and preferably to 1.5 degrees Celsius. The asset management industry has an important role to play in mobilising capital to finance the transition to a low-carbon economy and influencing companies to adopt sustainable practices. We believe the impacts of climate change create both risks and opportunities for the companies we invest in which is why it is an important element of our broader strategy and risk management to integrate ESG factors into our investment decisions.

We are committed to addressing and mitigating climate investment risks by:

- Assessing material risk and opportunities related to climate change when making investment decisions. Through our investment process we look to identify whether potential investments face material risks from the transition to a low-carbon economy, and are continually making enhancements to the quantitative and qualitative research inputs that enable this. Where we identify material climate-related risks, we will conduct further analysis to understand how these are being mitigated.
- Encouraging proactive management of climate risks by both our investee companies and third- party fund managers. We support the recommendations of TCFD and expect fund managers and investee companies to be working towards reporting in line with the recommendations.
- Developing a net zero strategy for our investments, in alignment with the UK Government's target of net zero by 2050.

More information on our approach can be found in our inaugural TCFD report. Going forward, we will focus on enhancing our implementation of the TCFD recommendations in our investment process and reporting, in line with data and industry developments.

Engagement

How we identify companies for engagement

Engagement activities can be resource intensive and our ability to engage with companies can be limited, as the proportion of shares we hold in companies is generally lower than that of larger asset managers. In order to maximise effectiveness of any activity, we take a risk-based approach to engagement activity where we consider the:

- Magnitude of risk or the severity of the issue.
- Size of our holding - we are more likely to engage where we own a bigger percentage of the share capital such as the companies held in our AIM Portfolio service.

Our engagement approach

For direct equities, investment trusts (ITs) and REITs our engagements are focused on improving the company's business practices and long-term performance. Areas where we may engage include but are not limited to situations where:

- We are concerned about the strategic direction or performance of the company.
- We have concerns around the financials of a company, including its capital structure.
- Through our research, we identify ESG concerns that could affect the long-term value of an investment.
- We are concerned about a company's remunerations practices.
- We require further information or clarification from the company when making proxy-voting decisions.
- We have decided to vote against management on an ESG issue
- There has been an ESG event or controversy at the company that could impact the value of the investment.

Our engagement activity is led by our sector research teams and can take several forms including informal dialogue, formal written correspondence and meetings with management.

Where a company proves unresponsive to these engagement methods, we may escalate engagement activity by voting against a resolution, the board of directors or the annual report. Where we deem it effective, we may also engage with a company on a collective basis with other investors to escalate any concerns we might have. Any such engagement would be on a case-by- case basis.

Finally, we may also consider divestment if it is appropriate

Voting

Company shares usually carry voting rights, and as a responsible investor we use these rights to vote on items raised at general and extraordinary shareholders meetings.

We employ ISS, a leading proxy-voting service, to provide research on corporate governance issues and voting recommendations for our Cornelian Risk Managed Fund range and for our buy list discretionary clients' holdings in our nominee accounts. Whilst we use ISS voting recommendations, we retain complete discretion to vote against either ISS or management. We manage a variety of additional multi-asset funds, the majority of which have a very limited number of direct investments that carry voting rights. As a result, we do not apply our centralised voting approach to these funds, but each manager retains the discretion to vote where it is in our clients' best interest.

Reporting on our engagement and voting activities

We publish our voting activities on a quarterly basis on our website. We do not typically disclose the identities of the companies we have engaged with, although we may provide case study examples on an ad hoc basis.

Stewardship within third-party funds

We expect our third-party fund managers to establish and apply their own voting and engagement policies. As part of our due diligence process, we assess these policies, including their records regarding engagement, voting and the transparency of their stewardship activities. Where we identify that a fund manager's stewardship or ESG integration approach is not meeting our expectations we will communicate our views to them. And in instances where we do not see the required improvement, we may reduce exposure, or in more severe instances instruct a mandatory sell of the fund across the business. Our Asset Selection Committee is responsible for governing and overseeing this process.

How we approach conflicts of interest related to engagement

Our Conflicts of Interest Policy can be provided on request. Examples of how we would potentially manage conflicts related to our stewardship activity are set out below:

The conflict	How we manage the conflict
A client is a director of a company in which we invest and engage with. There is a risk that a conflict of interest could influence our judgement when undertaking stewardship activities related to this company.	If this conflict were to arise, it would be reported to the Asset Selection Committee and a management plan would be put in place, with oversight from the compliance team. In this scenario, that could involve ensuring that no engagement activity or voting decisions are made by the staff member that has the relationship with the client. Furthermore, if we believed that the arrangements put in place were insufficient for us to be reasonably confident that our clients could not be disadvantaged, we will avoid such an investment.
A staff member may have a personal relationship with a company we are engaging with or voting on. There is a risk that a conflict of interest could influence our judgement when undertaking stewardship activities related to this company.	Controls are in place to ensure that staff member's outside business interests are declared and properly supervised. There is an escalation policy ensuring that conflicts of interest are reviewed by sufficiently senior management of the firm.
Issues may arise from the fact that Brooks Macdonald Group PLC is a listed company and subject to the principles of the UK Corporate Governance Code. The direction of our voting and engagement activities may not be consistent with the corporate governance arrangements of Brooks Macdonald, under some circumstances.	The internal corporate governance of Brooks Macdonald is outside of the remit of this policy statement and will not be taken into consideration in any voting or engagement activity relating to an investee company.
In the course of our monitoring and engagement with company management, specific members of staff can become insiders (i.e. receive non-public, price sensitive information).	Any staff member that comes into contact with inside information must record the information on an insider log, as required by market-abuse regulation. That staff member is then prohibited from trading/dealing in the relevant security (or related securities), encouraging others to deal in the security (or related securities), or disclosing the information to anyone else.

Important information

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