Investec

Investec Wealth & Investment Stewardship Code

Investec

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PRINCIPLE 1

Our purpose, strategy and culture

How our 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

Investec's purpose is to create enduring worth, living in society and not off it.

1.2 Our Culture

Crystallised in ten 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.

- 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 Out of the Ordinary ways. This creates a positive environment, where people find it easy to build relationships that enhance their contribution to the organisation.
- At Investec, 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.
- In order to inspire and support our people to have courageous conversations around diversity and inclusion, we have four 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.
- We have a focus on internal mobility and advertise all roles internally for 2 weeks before going external to support a transparent process for all employees.
- Female Participation: As of 31st March 2020, Investec Wealth & Investment has 29% female representation in senior leadership roles. We have signed up to the Women in Finance Charter where we aim to have 30% female senior leadership by March 2022. We are a member of the 30% Club, aiming to have 30% female representation on our UK and South African boards. In 2019, in the Wealth business, 25% of all senior hires were female (3/12 – 2 in Tech, 1 in Compliance) and we have a statement on our careers page against every position encouraging diverse (particularly female) candidates to apply. For all senior roles, we ensure that female profiles are always provided.
- Race & Inclusivity: In 2020 we signed up to the Race at Work Charter committing to the five calls to actions to ensure that ethnic minority employees are represented at all levels. We have recently trialled return-ships in Investec Bank (100% female and 75% BAME hired) and are looking to launch a similar 'return to work programme' pilot in Wealth in 2021. Please see Principle 2 for further details on our Group Structure.
- Early careers: our recent Bank graduate programme was over 50% female and 45% BAME and the Group works with Multiverse to support apprenticeship opportunities for socially disadvantaged young people. Investec Wealth & Investment have signed up to the #100blackinterns initiative for University students interested in Investment Management for 2021.

1.3 Our Strategy

- At Investec Wealth & Investment 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.
- Our strategic goals are based on the aspiration to be recognised as a distinctive wealth manager, delivering an 'out of the ordinary' service for our clients. We believe that our journey is something that sets us apart- from a small finance company founded in South Africa in 1974 to an international organisation with listings on the London and Johannesburg Stock Exchanges- and this distinction is embodied in our entrepreneurial culture, balanced by a strong risk management discipline, client-centric approach and an ability to be nimble, flexible and innovative.

1.4 Our Investment Beliefs

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.

1.4.1 Our Investment Philosophy

- We believe superior risk-adjusted returns are generated by high quality businesses: High quality businesses are those that create economic value sustainably. Sustainable economic value is created by businesses with excellent products and services that are excellently managed. Excellently managed businesses invest prudently for the future, using leverage modestly and have excellent management teams. Excellent management teams take all costs into account (both internal and external), and treat all stakeholders (shareholders, employees, suppliers, communities) economically fairly and with respect. High quality businesses, by this definition, will have good ESG performance when judged by fair relative metrics.

- We believe that our portfolios should consist of investments in high quality businesses (whether equity, debt or hybrid instruments). To the extent that we outsource the final investment decision or establish counterparty relationships, we make investments in partnership only with high quality businesses.
- We have an ownership mentality. This means we invest in high quality businesses (or invest alongside them) for the long term.

1.4.2 Our Investment Process

- We invest across a range of different asset classes, with each asset class requiring a slightly different strategy to enable good stewardship and effective engagement where appropriate.
- Our Investment Process is designed to identify high quality businesses to invest in (and with) and to build portfolios suitable to our clients' risk and return objectives from them.
- Since Environmental, Social & Governance ("ESG") issues bear directly upon a business' sustainability (meaning the duration of its ability to generate an economic return – to remain economically healthy, in other words), understanding a particular company's approach to ESG is crucial in judging a businesses' quality.
- Assessing a businesses' ESG performance is therefore a core part of our investment process. This is true in the selection of investments that we make directly (ie. investments that we make directly, in the selection of third-party fund managers to invest on our behalf (our suppliers), and in our choice of counterparties in the markets.
- Please find a summary of our governance framework in Principle 2 and ESG policies for each of the main asset classes in Principle 7.

PRINCIPLE 2

Our governance, resources and incentives to support stewardship

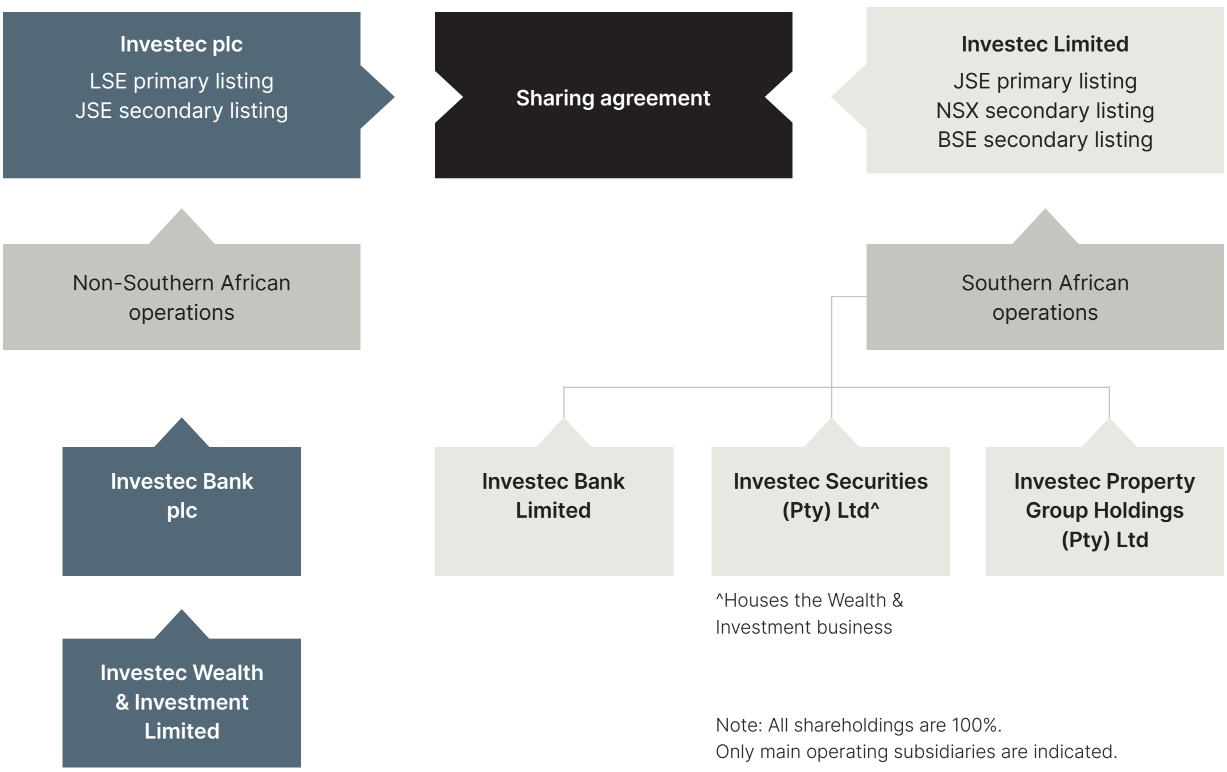
2.1 Our Shareholders

Investec Wealth UK (IWI UK) is part of the Investec Group and is a wholly owned subsidiary of Investec Bank plc. Investec plc operates co-operatively, through a sharing arrangement, with Investec Limited, which owns the Group's South Africa operations. The Dual Listed Company (DLC) structure is set out in the table below.

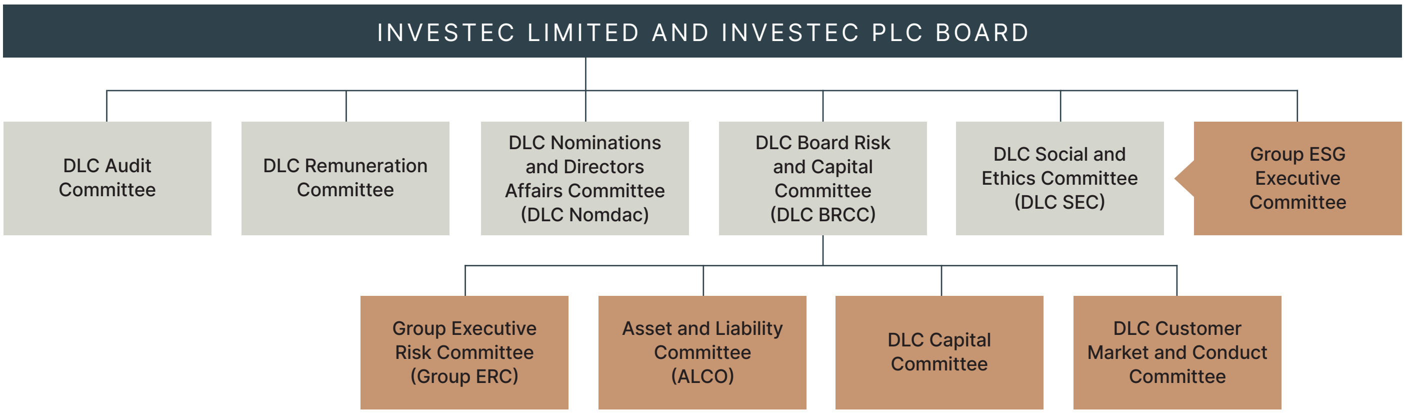
Investec organisational structure

Dual Listed Companies (DLC) structure with linked companies listed in London and Johannesburg

DLC STRUCTURE AND MAIN OPERATING SUBSIDIARIES



Investec Wealth UK governance must be understood in context of Investec plc structures.



2.2 Investec plc Governance

In addition to the board committees, highlighted in grey above, further group risk committees and forums exist to support them in their objectives. Information on these committees can be supplied on request.

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

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

At the group level two committees oversee our ESG stewardship and governance. The DLC Social and Ethics Committee (DLC SEC), a sub-committee of the board, monitors 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 was additionally established in 2020 to coordinate our ESG efforts across geographies and businesses from both a strategy and policy perspective, to develop a relevant framework that aligns with our purpose and values, and help our businesses take up opportunities to make a difference in our world.

Our commitment to sustainable finance has resulted in Investec CEO Fani Titi being appointed to the UN Global Investors for sustainable development alliance, made up of 30 leading corporates and financial institutions across the world. The alliance aims to accelerate action to better integrate the United Nations Sustainable Development Goals (SDGs) into the business; to scale up sustainable investments globally, especially to countries most in need; and to align investment with sustainable development objectives.

Sustainability and good stewardship of our client's assets are at the heart of Investec's business and are fully endorsed by the executive committee of the parent company to IWI UK.

As of January 2021, in terms of overall sustainability performance, we remain in the top 15% in our industry in the Dow Jones Sustainability Investment World indices and top 6% in the financial services sector for the MSCI ESG rankings.

2.3 IWI UK Investment Governance Structure

2.4 Governance Framework

- IWI has formally committed to voting our discretionary shareholdings to protect our clients' interests, seeking to ensure that all governance, social and environmental issues specific to the investee companies' business activities are understood and well managed.
- To support this commitment a comprehensive governance structure has been established, consisting of the Investment Corporate Governance Committee (ICG), the Equity corporate governance forum (ECG) and Collectives corporate governance forum (CCG).
- The ICG oversees the ECG and the CCG and is ultimately responsible for ensuring adherence to the Stewardship code. It reports to the Executive Committee – the highest management level in IWI, which in turn oversees the public disclosure of the discharging of our governance obligations.

- Our ECG and CCG are in place to take on the day-to-day responsibility for overseeing corporate governance and responsible investing (ESG and voting) for their respective asset classes. They are also responsible for building reports required to meet Stewardship Code and other commitments. The chairs of both forums (ECG & CCG) identify and escalate material and price sensitive issues to the Investment Corporate Governance Committee (ICG).
- The ICG uses the regular reports from the ECG and the CCG, alongside periodic updates from fixed income research team who exercise our corporate governance obligations in the Fixed Income, as the basis of a half yearly update and an annual report to the Executive Committee.
- The IGC consults with the Investment Committee, whose role is to supervise the implementation of the investment process, to ensure our governance commitments are practically deliverable. More information on how this structure is effective in practice can be found in Principle 5.
- We aim to continually improve upon these processes, and we are committed to ensuring that we are serving the best interests of our clients. Demonstrating this commitment, in 2020 we applied to become signatories to the UN's Principles for Responsible Investment (UN-PRI). We anticipate submitting our first report in 2021.

2.5 Investment Governance Resourcing & Function

2.5.1 Membership

The Governance processes are chaired by senior members of our executive and investment process. The Investment Corporate Governance Committee (ICGC), the supervising body of the day-to-day function of the process, is chaired by a member of our Executive Committee, whose responsibility is to report on the investment governance function to the executive. Reporting to the ICGC and sitting on the committee representing their responsibilities, the Equity and Collective Governance Forums are chaired by the Head of Equity Research and the Head of Collective Research respectively.

2.6 Embedding Behaviour into the Business

2.6.1 Leadership, Education & 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 investment governance forums are comprised not solely of research and the executive leadership, but also of senior investment managers and the Group's CIO. This blends expertise, experience and perspective. Each member of the forum 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 research team lead the education of investment managers across the group. They do this via training sessions which encourage understanding of the fundamental compatibility of good ESG practice with our investment philosophy and investment processes.

We maintain active training for our portfolio managers, explaining our quality-first Investment Philosophy and how it naturally entails that our Investment Process should embody exercise of good corporate governance, in line with the stewardship code. Our Investment Academy has been established to provide an active forum for learning. As part of its role, it encourages a deeper cultural understanding of ESG issues, from an investment perspective.

In addition, the research team arrange presentations to investment managers on sustainable, responsible and ESG investing by outside parties, including specialist fund providers and our own information and service suppliers, such as Sustainalytics, to enhance their understanding of our capabilities and the best ways to deploy them on behalf of our clients.

2.6.2 Culture, People & Incentives

(Outlined in Principle 1.2) As crystallised in our ten 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. 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.

Our remuneration philosophy and structure is 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.

We are committed to attracting, developing and retaining a diverse team of talented people and our recruitment strategies prioritise previously disadvantaged candidates, where possible. 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.

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.

2.7 Investment in Systems, Processes, Research & Analysis

2.7.1 The Internal Research Team

We have invested over many years in building a substantial, dedicated team of full-time investment research professionals. The role of our research professionals 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 more than 20 in the UK, our capability is supplemented by close co-operation with the research team of Investec Wealth in South Africa – with whom we share common practices in investment strategy and direct equity investment, including ESG analysis.

2.7.2 Third Party Research & 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 the ISS, Sustainalytics, Ethical Screening, Credit Suisse's HOLT and Morningstar, all of which contribute to our overall stewardship obligations. Although these services do not govern our end decisions, they help to ensure that we take a holistic approach to stewardship and contribute to us making the most informed decision possible.

Governance Support
Institutional Shareholder Services (ISS) is utilised by the Equities Corporate Governance Forum, 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. The reports are acknowledged by the relevant analyst. The analysts then form their own voting decisions and make an independent recommendation to the Equities Corporate Governance Forum.

Enhanced ESG and Ethical Support
ISS further provides analysis of a company's alignment to the UN's 17 Sustainable Development Goals (SDGs). Ethical Screening also has a similar function, providing the ability to search by SDG whilst also having the capability to exclude companies on ethical grounds, which is important on a client-by-client basis. Sustainalytics is a quantitative tool which is much more granular and focuses on ESG risks that a company poses. Where a company poses a great ESG risk, we are able to challenge them on how they are confronting this risk, their solutions and responsiveness. We use this tool to assess ESG risk on a relative basis, with any company that displays too great of a risk being excluded from research.

INVESTEC WEALTH & INVESTMENT UK RESEARCH RESOURCES

BUSINESS INVOLVEMENT SCREENING	Ethical Screening				
ESG RESEARCH PROVIDERS	ISS	Sustainalytics	CDP		
PROXY VOTING ANAYLSIS	ISS				
TECHNOLOGY ENABLERS	Bloomberg	Factset	Morningstar	Financial Express	Holt
ASSOCIATIONS	UN PRI				
CREDIT RESEARCH	CreditSights	S&P			
BROAD RESEARCH	9 Brokers				
SPECIALIST RESEARCH	12 Counterparts, including Credit Suisse's HOLT				

PRINCIPLE 3

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

3.1 Investec Wealth & Investments Conflicts of Interest Policy

Investec Wealth & Investment has a comprehensive Conflicts of Interest policy to which all employees are expected 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 Investec Wealth & Investment's Conflicts of Interest Policy is available upon request.

3.1.1 Prevention

Investec Wealth & Investment 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 Compliance. 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 client's 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 Compliance. 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 by Compliance on an at least an annual basis to ensure that any new potential conflicts of interest and corresponding methods of managing these are identified.

3.2 Conflicts of Interest – Key Areas and Governance Processes

3.2.1 Voting of Shareholder Interests

The Collectives and Equities Corporate Governance Forums are responsible for determining voting policy 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 from the firm.

3.2.2 Investec shares

Investec is not 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. IW&I will only vote when required to do so or it is clearly in the clients' best interests to do so. If a conflict does arise, IW&I may abstain from voting.

3.3 Inside Information & 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 Compliance but relies on all staff to ensure that information is provided to Compliance in a timely and accurate manner. If an individual is in possession of inside information, they must inform the IW&I Compliance department 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.

PRINCIPLE 4

Management of Market and Systemic Risks & the Promotion of a Healthy Financial System

4.1 Statement of Principle

- Our business is to 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 both UK and South African practitioners, who meet quarterly, assessing market and systemic factors such as inflation, interest rates, geopolitical tensions and economic growth. The group's chief economist also feeds into the GISG. 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 are ultimately responsible for determining the company wide tactical asset allocation (TAA) that is implemented across client portfolios. In contrast to the GISG, the AAC focus 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 stock/fund selection. Individual fund 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 a client's financial situation, 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.

EXAMPLE:

Coronavirus Market Shock

The Global Investment Strategy Group met in March 2020 and explicitly judged that systemic risks from Coronavirus were manageable. The risk budget guidance was therefore increased. To the benefit of our clients, portfolios across our business in the UK and South Africa increased their exposures to risk assets. This action also provided liquidity to markets.

Separately, the coronavirus has led to many companies issuing new capital in an attempt to ensure that their business is sufficiently financed, aiding in the short-term survival and long-term success. As a firm we have taken part in a number of these capital raises, in an effort to promote the well-functioning financial markets. As at November 2020 IWI UK had participated in 38 capital raisings, committing over £120m across these investments in response to the systemic risk that the coronavirus has posed.

4.3 Key Systemic Risks & Investec Responses

4.3.1 Climate Change

We believe that the biggest systemic challenge that we currently face is climate change, which drives the need to transition to a cleaner world. We have two key roles in addressing Climate Change. The first is in tuning our own behaviour to promote efficiency, encouraging similar behaviour in our suppliers. In this regard, Investec is committed to leading by example. The second role is to provide services for our clients that comply with best ESG practice without sacrificing investment return, together with differentiated services to enable them to invest with greater sustainability transparency and impact.

4.3.2 Investec's Own Response

- Our Group CEO, Fani Titi, is part of the Global Investors for Sustainable Development (GISD) Alliance, which is a group of 30 CEOs convened by the UN, tasked with securing investment from the private sector to finance the United Nations Sustainable Development Goals (UN-SDGs).
- At the group level, we have already achieved net zero carbon emissions and have committed to ongoing carbon neutrality. Our initiatives to ensure this remains the case include an innovative partnership in South Africa with the Climate Neutral Group in support of the Johannesburg Waste to Energy offset project, which aims to capture methane from five landfill sites and turn it into electricity. In the UK, Investec Wealth has assembled an in-house environmental sustainability team, Team Green, to ensure best practice is exercised across all offices. Initiatives address waste management, energy use, water use and many more environmentally sensitive issues.

4.3.3 Participation in Industry Initiatives

- Investec plc, our ultimate parent company, is one of nine companies in the UK banking and financial services sector to have signed up to the Task Force on Climate-Related Financial Disclosures (TCFD). This is a group that aims to develop a framework to help public companies and other organisations more effectively disclose climate-related risks and opportunities through their existing reporting processes.
- More recently we have become signatories of the United Nations Principles for Responsible Investment (UN-PRI), where we will work alongside other financial institutions and collectively contribute to the development of a more sustainable global financial system.

4.3.4 Addressing Climate Change in the Client Offering

As fully described in Principle 7, our investment process is resourced and structured to enable ESG considerations to be explicitly considered in all of our investment decisions – whether we invest directly, or through third party fund providers.

4.3.4.1 Our Core Offering

Our core offering to existing clients aims to support best ESG investment practice without sacrificing investment return.

Where we make investments directly in companies' debt or equity, we use Sustainalytics, a tool that quantifies ESG risks that a company poses, to give us objective perspective. We adjust our expectations for the prospects for investments to the extent that the companies' score suggests to our analysts that there will be an impact on future returns (clearly remediation, or legal cost implied by "bad" behaviour or poor performance must be paid for by shareholders).

The investment practice of our core service will therefore still invest in companies that contribute to climate change, but using this practical return-adjusted view of the impact of climate change on their attractions, those that we will support will tend to be the ones who are being most successful, relative to reasonable peers, at moderating their impact.

Reflecting our belief that high ESG risk is highly correlated with poor investment performance in the future, worst-in-class stocks under Sustainalytics scoring, if such score is confirmed as coherent by our research team, are excluded from investment research.

On the fund side, our Collectives research team have also incorporated ESG considerations into their APPROVED framework which is used when analysing fund credentials. There are now numerous funds on the research approved list which offer tailored exposure to companies that are offering solutions to the climate change crisis. The incorporation of ESG factors into our investment assessment is a clear indication that we feel they could affect long term performance.

4.3.4.2 Enhanced/Sustainable Investment Services

Largely through our Charities business, we have long provided bespoke services tailored to individual requirements that have incorporated ethical and environmental requirements.

This year, through the addition of third-party database information, our ability to understand the positive and negative impacts (as defined by the UN-Sustainable Development Goals) of our investments has been greatly increased.

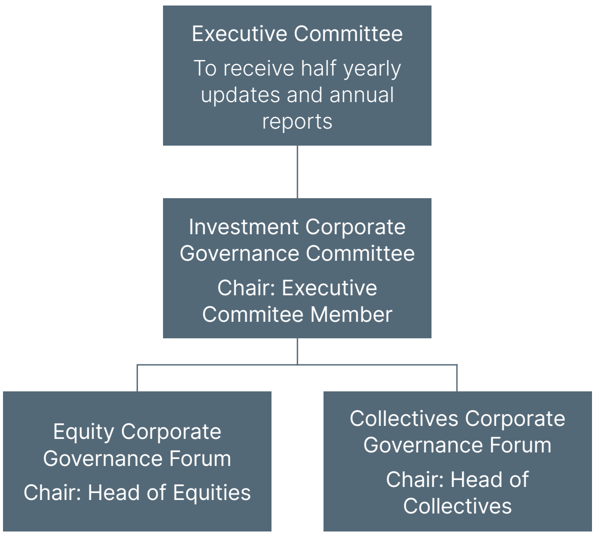
In 2021 we aim to launch services to enable a broader base of clients to access enhanced services, with a positive impact on sustainability broadly, and thereby on Climate Change.

PRINCIPLE 5

Stewardship Policy Review and Monitoring

As an asset manager bound by the Shareholder Rights Directive (SRD II), 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 all of 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.

5.1 Our Stewardship Governance Structure



Primary responsibility for overseeing our Investment Stewardship activities is vested in the recently formed Investment Corporate Governance Committee (ICGC). This committee designs and approves 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 ICGC is chaired by an Executive Committee Member and reports through them to the Executive Committee. In this way the committee discharges its responsibility to ensuring policies are supported and resourced by the executive.

As addressed in Principle 2, the ICGC oversees the work of two forums, the Equity Corporate Governance Forum (ECG) and the Collectives Corporate Governance Forum (CCG) who implement our Stewardship policies and obligations in Equities and Collectives on a day-to-day basis. The ECG and CCG are chaired by senior research specialists in each field.

ICGC membership includes Chairpeople of the ECG and CCG.

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 ICGC. It is the responsibility of the Head of Research to ensure that this occurs.

5.2 Policies Supervised by the ICGC

As a firm, we have recently developed and incorporated three new policies into our strategy that we feel are appropriate, relevant and aligned with modern day stewardship. 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 introduced are as follows:

- Engagement policy
- Voting policy
- ESG policy

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 Institutional Shareholder Services (ISS) which provides us with governance and voting analysis as an input into our decision making. The added assurance provided by the 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 the ISS is always considered but not necessarily acted upon. It is down to the relevant analyst to consider the report provided 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 will complement 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 collectives' team have developed their own proprietary framework that incorporates ESG considerations, providing internal assurance when conducting research into funds. Our direct equities team have recently taken on the services of Sustainalytics, which provides quantitative ESG risk data and further external assurance to their stock selection process.

5.3 Stewardship Reporting

Responsibility of ensuring stewardship reporting is fair, balanced and understandable will sit with the ICGC going forward.

5.4 Policy Effectiveness

Our processes and structures are new. They will be reviewed regularly to ensure both that they are effective and that our stewardship policies and processes are continually improving.

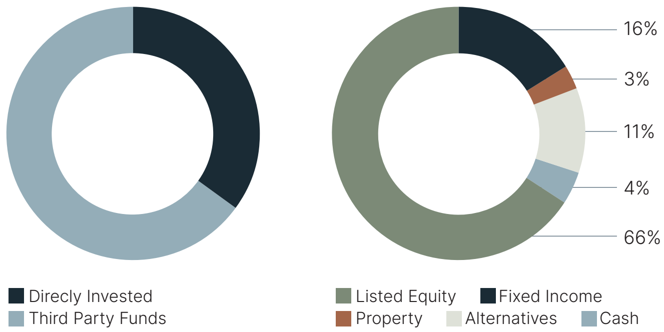
PRINCIPLE 6

Incorporating Client and Beneficiary Needs

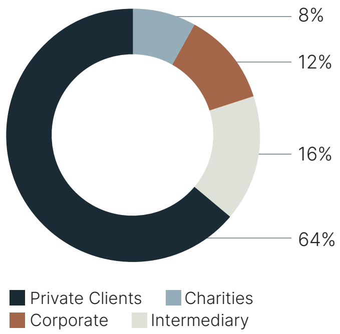
6.1 Incorporating Client & Beneficiary Needs

At IW&I, for discretionary clients, which are the vast majority, we pride ourselves on our bespoke portfolio management approach. This means that it is our business to ensure that all aspects of a clients' 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.

Client Invested Assets



Client Type



- 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.
- 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 a screening service called Ethical Screening that can identify companies engaged in activities which may conflict with a client's values so that they can be excluded from their portfolio. Should a client require it, we are also able to concentrate individual equity holdings towards those with higher ESG ratings, or use funds which have a high ESG rating or a specific sustainable focus. In regard 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. Each client's individual objectives are captured as part of our ongoing suitability assessment and our Investment Manager Assurance team continuously tests samples of existing portfolios to monitor how effectively they are being managed in terms of specific client restrictions. We subscribe to various data streams which allow us to construct bespoke reports in response to our client's specific ESG requirements. For example, for direct equity portfolios we are able to calculate the greenhouse gas emissions per £1 million of revenues, which can then be compared to a relevant benchmark index. For these portfolios we can also calculate the average CDP (Carbon Disclosure Project) score.

6.2 Communication of Stewardship Decisions and Outcomes with Clients

At the moment, there is no formal policy in place outlining the way in which we report to individual clients on their specific ESG objectives. We hope to include this reporting as part of our annual suitability review in the future. In terms of how we report on our general stewardship activities, we publish our full voting activity on our website on a quarterly basis. This is accompanied by a number of commentaries and case studies. In the future, we plan to launch an annual newsletter to clients which summarises some of our key engagement activities over the course of the year.

PRINCIPLE 7

The Integration of Stewardship with the Investment Process

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:

- Our investment philosophy prioritises quality. We believe that our portfolios should consist of investments in high quality businesses (whether equity, debt or hybrid instruments). To the extent that we delegate investment decisions to third parties, or establish counterparty relationships, we will make investments in partnership only with high quality businesses.
- We define high quality businesses as those that create economic value sustainably and are excellently managed. Since excellent management teams take all costs into account (both internal and external), and treat all stakeholders (shareholders, employees, suppliers, communities) economically fairly and with respect, high quality businesses, by this definition, will have good ESG performance when judged by fair relative metrics. They will be good to invest in, or, if suppliers of services, to invest with.

Hence, our Investment Philosophy is fundamentally compatible with good Stewardship practice.

7.2 Embedded Naturally in Our Investment Processes

- Building on the foundations of our Investment Philosophy, our Investment process is designed to deliver 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 relative to ESG criteria. More information is available in Principle 4.
- Our core investment service provides multi-asset class portfolios. Whilst the quality-first investment philosophy drives the investment selection criteria in each asset class, the research and governance functions in the investment process are adapted to each asset class in order to enable effective stewardship.
- The below details how our Equity, Collectives and Fixed Income Research Functions have embedded ESG analysis into their Investment Selection processes. Our policies for each asset class can be found on our website.

7.3 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 are reviewed on an ad-hoc basis, as are 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 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 are able 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 reveals whether or not an equity-portfolio's overall ESG metrics are better or worse than our domestic index, and highlights those names which have the greatest deleterious impact on the overall score.
- Whilst bottom-up screening and scoring is a passive approach to ESG investing, we also use interaction with investee company management teams, (both the executive and nonexecutive) to engage on ESG matters. As well as soliciting more information about the significance of and priorities for ESG within a business, we also communicate our own agenda as necessary.
- Our ownership mentality dictates that we exercise our on-going Governance obligations as if we were owners of those businesses. We vote 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 issues specific to our investee business activities are understood and well managed.

CASE STUDIES:

Chemring

In January 2020, we removed Chemring from our coverage list after concluding that there was not sufficient disclosure to assess the company's policies.

Unilever

At a special shareholders' meeting on 21st September, concerning the proposed merger of Unilever NV and Unilever plc, we voted in favour of unifying the company's share structure. We found the rationale for the unification compelling, removing unnecessary complexity and duplication within the company while at the same time providing significantly improved flexibility for any future corporate transactions. We noted that the disposal of the poorly performing Spreads business took about twice as long as might otherwise have been expected, as management had to unravel its internal holding structure prior to completing the deal. We were also mindful that ISS views the broad corporate governance regime in the UK as being in effect superior to that in the Netherlands.

7.4 Collectives Investments & Third-Party Funds ("Collectives")

Our collectives selection process aims to achieve three goals

1. To provide our clients' portfolios with a full range of investment options (mandates/strategies) to achieve their investment objectives.
2. To select high-quality third-party managers to undertake the delegated investment mandates.
3. To ensure that the chosen third-party managers are delivering processes and results according to their mandates, on an on-going basis.

These require a disciplined **manager selection** process and an appropriate **oversight and governance** process.

7.4.1 Our Collectives Approach to Manager Selection

- Third party funds are delegated to organisations that we believe manage their own businesses in a way that is compatible with our own commitments and values (see Principle 1).
- When assessing third parties' investment processes, we believe that 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.
- 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.
- 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. These systems suffer from a lack of data, are backwards-looking and differences in the interpretation of ESG information and its materiality. Furthermore, some of the best "good" (both for society and for client financial outcomes) can be done by owning companies with low but improving ESG scores. In our view this makes such scoring systems a poor way to measure whether a fund's ESG approach is consistent with our ESG philosophy and meets our qualitative criteria.
- We have developed a proprietary questionnaire that, when combined with face-to-face interviews with fund management teams, is used to assess the importance and alignment of ESG considerations in an investment strategy. It is embedded in our APPROVED research process, where the E represents ESG, and is consequently embedded in our investment stewardship.

CASE STUDY:

Jupiter US Smaller Companies – Vote Against Continuation

We felt that the appointment of Brown Advisory's US small cap growth team represented a material change in terms of style, philosophy, and profile. The announcement of Brown Advisory's selection as manager of the vehicle was made 9th December which we felt gave investors insufficient time to assess the impact of the change prior to the continuation vote at the AGM 22nd December.

7.5 Fixed Interest

Our fixed interest investment philosophy and investment process are fully aligned with our overall Investment Philosophy and the Investment Process, as outlined above.

- As part of our investment process, we review the companies in which we invest using Sustainalytics. Sustainalytics provides information on non-financial measures such as a company's environmental credentials, business ethics, and exposure to human rights issues. Companies that consistently show poor ESG practices may be excluded from the Research List. We are committed to engaging with the managements of the companies in which we invest to further the interests of our clients and we seek out companies and sectors that provide social benefits, such as social housing associations or utilities that focus on renewable energy.

CASE STUDY:

International Personal Finance

Following a discussion with the management of International Personal Finance, which included a conversation about a potential debt extension and the group's covenants, the group earlier this year successfully extended its debt maturity with investors accepting a temporary relaxation of its bond covenants. The changes ensured that the group's near-term debt maturity was extended, which benefited both the company and bondholders.

7.6 An Integrated Research Approach

- Although the research functions embed ESG analysis in different ways, as appropriate to their tasks, the common focus on quality (whether of the underlying investment, or of the fabric of our third-party providers) means that each individual research analyst is responsible for considering ESG factors as part of their investment analysis, regardless of the asset class.
- Engagement with investee companies and funds is fundamental to 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.

EXAMPLE:

Woodford Group Funds: governance insufficient

We removed Woodford Patient Capital investment trust from our research list in May 2017. We identified governance issues, believing the board lacked the independence necessary to protect shareholders interests. Noting that, given the nature of the investment being made, a board structure was necessary to provide oversight and challenge, we also chose to avoid recommending open ended products from the Woodford stable at launch and afterwards.
With Woodford having a strong reputation in the market, we continued, against significant pressure, to maintain this stance, which was ultimately vindicated as the growth of the Woodford business, combined with the significant overlap with his previous firm created liquidity issues in the underlying companies.

7.7 Supported by Third Party Service Providers

- Some of the service providers that we subscribe to that help us make informed decisions on ESG issues include ISS, Sustainalytics, HOLT and Morningstar. We view the ESG risks that each company poses in the context of their industry-specific exposure, guided by Sustainability Accounting Standards Board's (SASB) Sustainalytics' analysis. Sustainalytics, for example, produces detailed, industry-specific analysis based on publicly available information and on their own engagement with the company.
- 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.

7.8 Empowered, Accountable, Responsive and Transparent Stewardship Governance

- Our Stewardship Governance structures and processes are set out in Principles 2 & 5.
- The structures are also integrated into our Investment Process. They are responsible for 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 (Compliance) 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 Wealth and Investment 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 our all our stakeholders.

PRINCIPLE 8

Monitoring Third Party Service Providers

8.1 Investec Group Third Party Service Providers

- In common with all businesses, we use third party service providers widely across the Investec group 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 of our significant third-party service providers. To the extent we use commonly purchased services, which covers the majority of our contracted outgoings, Investec Wealth follows group policies and practices.
- We expect our counterparties to operate and behave in an environmentally and socially appropriate and responsible manner with the same high standards as 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 on page 56 of the 2020 Investec Group Sustainability report, published on our Website. We aim to evaluate our supplier's performance against our standards at least every three years.

8.2 Third Party Service Providers in the Investment Process

- Investec Wealth & Investment uses multiple third-party services, accessed on a real-time basis, to provide to research, data and information in support of our Investment process. Within this, our Stewardship responsibilities and decision making is supported specifically by ISS. All voting decisions are ultimately our own, however, as we do not outsource any engagement or proxy voting responsibilities to third parties.
- We review the performance of all of the data service providers to the investment process in the normal run of business at the time of contract renewal. This is typically on an annual basis. We have experienced no issues with regard to accessing data on demand.
- 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.

8.3 The Use of Third-Party Services in Voting

- 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.
- In the case of ISS, the dedicated analyst for that particular company will review ISS' report and voting recommendations before making their own independent recommendations to our Equity Corporate Governance Committee. This Committee then uses the information supplied by both the analyst and ISS to inform their final voting decision.

EXAMPLES:

Renishaw

In September 2020, ISS raised concerns over the re-election of two executives due to the level of their long-term incentives. However, the analyst noted that the two directors in question were founders of the business and together own over half of the company, thereby ensuring that their interests are aligned with those of its shareholders. Noting also that their incentives were aligned with both previous years and with their peer group, we chose to disagree with ISS on this occasion and voted in support of the re-election of the founding directors to the board.

Intuitive Surgical

In March 2020 ISS recommended voting against changes to Intuitive Surgical's equity plan. We undertook our own independent analysis against the peer group and concluded that the company's share awards were below that of industry peers. We therefore disagreed with ISS and voted our discretionary holdings in favour of the proposal.

PRINCIPLE 9

Engagement with the 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.
- Our voting policy on equities commits us to voting on any centrally researched name where we hold more than £10m or 1% of the capital on a discretionary basis. The parameters are slightly different for investment trusts, where we must own 2% of the share capital as well as £10m invested. All decisions are made with the objective of enhancing the intrinsic value of the assets we manage on behalf of the client.
- 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.
- Aside from regular voting opportunities, other events that may prompt us to engage include changes in management teams or public controversies.

9.2 Engagement in Practice

9.2.1 Key Focus Areas

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

- o Investment or operational performance.
- o Gaining a better understanding of the risks & opportunities an investment faces.
- o Environmental, Social & Governance related issues, and how a company is addressing or improving these issues.
- o Changes in management/strategy.
- o Management incentives and remuneration.
- o Public controversies.
- o 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.

9.2.2 Non-Voting Engagement Processes

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

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

9.2.3 Non-Voting Engagement Scope, Depth and Frequency

- 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, virtually or in person, at least on an annual basis. We track our success in meeting this goal. It is also worth noting that investment managers across the firm often meet with both company and fund management teams which adds an informal layer of engagement, due diligence and analysis.
- Recently, 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;

1. Beneficial ownership information must be provided in order to vote, which we cannot provide under data protection laws.
2. 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 client's 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 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 AIM Engagement

We tend to own greater stakes in AIM companies given their relative market cap and the funds under management which target these companies. Position sizes can often range from 3%-10% which leads to a number of 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 non-executives. Here, every stock in the portfolio is voted on and the greater understanding of these companies tends to lead to ISS' input being less relevant, although their suggestions are still considered.

Any issues tend to be raised with management directly and normally votes are based on management responses. Companies within this space tend to be too small to be covered by Sustainalytics and there is currently no formal ESG policy in place. However, the team have operated with ESG principles in mind for many years.

9.2.6 Third Party Funds Engagement

On engagement with funds, the research team aim to meet managers on a biannual basis, to scrutinise operational and investment performance. Management changes or public controversies also prompt more frequent 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 funds ESG implementation.

In relation to ESG, the collectives team have recently sent out a detailed ESG questionnaire to all funds on our central research list in order to gain a better understanding of how they assess ESG and how it is embedded into their philosophy. The findings from this questionnaire will be included in their first set of ESG reports in 2021. The team also send out a comprehensive annual questionnaire which is less focussed on ESG criteria. The setting of objectives is often discussed in CCG meetings and then outlined in the CCG minutes. This is a process which could be formalised and improved on. How engagement with funds differs across the asset classes is not yet outlined, though it is believed that there will be little differences. This will be addressed in the ESG reports which are set to be released in 2021.

In Principle 7 we highlight areas 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.

CASE STUDY:

Royal Dutch Shell

In reference to the Oil & Gas industry, company engagements have become more essential than ever as the companies look to adapt to climate change, a phenomenon that challenges their existence in its current form. Specific risks facing the Oil & Gas industry include carbon taxes, lower-for-longer oil prices and stranded assets (uncommercial barrels left in the ground) as the world aims to switch to more sustainable forms of energy. Where we have chosen to remain actively invested in Oil & Gas companies, with the intention of directing change, we continue to engage actively with various levels of a company's corporate structure. These engagements vary from private to public forums with a company's CEO, CFO, Non-Executive directors, divisional leaders, and Investor Relations representatives. As stewards of the company owners' capital, we are able to listen, suggest and debate a company's Energy Transition strategy and targets. In the case of Royal Dutch Shell, we recently criticised the company for its lack of incremental investment into renewable forms of energy, and we clearly expressed expectations for greater action. We then met with the Chairperson of the company's Remuneration Committee to discuss the CEO's pay structure and the inclusion, and extent, of decarbonisation targets.

PRINCIPLE 10

Collaborative Engagement Policies & Initiatives

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 & 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

In the AIM division, collaborative engagement to influence issuers is rare but has occurred in the past. An example was in response to proposed management changes at a time of company stress, where the CEO's decision to retire was rescinded. Going forward they will look to potentially increase the amount of collaborative engagement that they participate in, with the aim of enhancing outcomes for clients and creating greater value.

CASE STUDIES:

Aviva

As shareholders, we challenged Aviva for the company's decision in March 2018 to announce a repurchase of the shares at a discounted market price due to a technicality in the shares' documentation. In our normal research process, the Chief Executive Officer of Aviva visited our London office a few days after the decision for a regular update meeting and we discussed in detail our objections with him on the decision, which we believed may have been allowed in the rules but was not in the spirit of a company looking after the interests of its various stakeholders. We started a campaign with our industry body, the Personal Investment Management and Financial Advice Association (PIMFA), which eventually led to a complaint with the FCA and an intervention from parliament. Aviva subsequently decided to abandon its scheme to repurchase the shares and compensated preference shareholders for any losses.

Gabelli Value Plus+ Trust – Letter to Shareholders June 2020

As the largest shareholder, excluding the affiliate of the investment manager, we wrote to fellow shareholders ahead of the Annual General Meeting explaining why we intended to vote against the Continuation Vote and requesting their support. This fund had materially underperformed its benchmark over the long-term and we did not feel that the Board had effectively protected the best interests of shareholders. This action was successful, and shareholders voted against the continuation of the Trust at the Annual General Meeting in July.

Premier Oil

In 2017, following discussions with Premier Oil, the company asked bondholders to extend their debt maturity in exchange for a coupon step-up. During our engagement with the company, we highlighted our focus on protecting credit investors. The discussion led to a positive outcome for both the company and bondholders as the group's debt maturity was extended.

PRINCIPLE 11

Stewardship Escalation

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 & 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:
    - 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 CEO also being chairman 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 our 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.
- 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 valuation assessments 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 the team is also increasingly being consulted ahead of time by Board Chairmen and Remuneration Committees. Given the material holdings which are held in investee companies, the AIM team often have excellent access to executive management and therefore will consult with them on highlighted issues before voting against AGM motions. Scenarios in which the team have escalated stewardship activities to influence issuers have typically centred on remuneration and management.
- One example was an investee company where non-executives were no longer felt to be independent because of length of tenure. Through sustained engagement with the Chairman (and whilst voting with management at the AGM) the need for fresh thinking at the board was acknowledged and the entire roster of non-execs is now being refreshed.

PRINCIPLE 12

The Active Exercise of Rights & Responsibilities

12.1 Principles of the Exercise of Investor Rights & 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 clients have the ability to override house policy if they wish to do so.

Our governance structures to supervise the Exercise of Investor Rights & Responsibilities can be found in Principles 2 and 5.

Our voting policy can be found our website (https://www.investec.com/en_gb/wealth/private-clients/about-us/responsible-investing-approach.html) and more detail on this can be found in Principle 9. 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 our Equity Corporate Governance Forum. 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.

DIRECT EQUITIES

Summary of 2020 activity

Votes cast:

2020	AGM OR EGM	VOTES LODGED	VOTES AGAINST MANAGEMENT	%
United Kingdom	95	1800	16	0.9
United States	39	577	47	8.1
Europe	9	201	23	11.4
Totals	**143**	**2578**	**86**	**3.3**

A summary of issues voted against during the course of the year

SHAREHOLDER RESOLUTION	REMUNERATION	BOARD RE-ELECTION	AUDITOR'S REPORT	SHARE REPURCHASES	OTHER
32	37	14	1	1	1

AIM

Summary of 2020 activity

Votes cast:

	NUMBER OF RESOLUTIONS	VOTES AGAINST MANAGEMENT
Totals	**378**	**2**

COLLECTIVES

Summary of 2020 activity

Votes cast:

	AGM OR EGM	VOTES LODGED	VOTES AGAINST MANAGEMENT	%
Totals	**93**	**1215**	**14**	**1.1**

EXAMPLES OF WHERE WE VOTED AGAINST MANAGEMENT:

Apple

There was a shareholder-lodged item that called for the company to publish, at reasonable cost and excluding proprietary/confidential information, a report on its policies on freedom of expression and access to information, including whether it has publicly committed to respect freedom of expression as a human right. This had not been proposed before, and the proponents argued that it would help shareholders to gauge the company's management of reputational risk. This proposal appeared to relate in particular to China where Apple has acceded to a number of official requests that run contrary to the defence of freedom of expression and access to information. Apple counters that it already publishes a lot of information on human rights, and that it has to obey local laws. We believe that Apple's statements amounted to principles rather than specific policy actions and therefore lodged a vote against management in this case.

Walt Disney

As well as voting against the proposed remuneration for then Chief Executive Bob Iger, which we felt was out of line with the peer group and linked to incentive targets that were too modest, we also voted against management on producing a report on the company's lobbying activities. This was a shareholder resolution which management opposed, as it had done for the previous five years. The company argued that it already discloses a lot of information about lobbying (the issue seems to be one of reporting, not an objection to lobbying per se) and had updated its policies since the resolution was submitted. ISS argued that in some areas the disclosure is still too opaque. We did not feel that adopting the resolution would compromise commercially sensitive information and we therefore voted against management and FOR the resolution.

FIXED INCOME ENGAGEMENT EXAMPLE:

In addition to voting on our equity holdings, we have taken a proactive approach to engagement with management teams and negotiating terms and conditions for our Fixed Interest holdings. For example, following a discussion with the management of International Personal Finance, which included a conversation about a potential debt extension and the group's covenants, the group earlier this year successfully extended its debt maturity with investors accepting a temporarily relaxation of bond covenant. The changes ensure that the group's near-term debt maturity was extended, which benefited both the company and bondholders.

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Investec