

## **Brewin Dolphin Stewardship Policy**

### **About Brewin Dolphin**

#### **What assets do you have responsibility for?**

We are one of the UK's leading independent providers of discretionary wealth management. We offer award-winning personalised wealth management services that meet the varied needs of over 100,000 account holders, including individuals, family companies and trusts, charities, and pension funds.

We specialise in helping clients protect and grow their wealth by creating financial plans and investment portfolios that meet personal and professional ambitions and aspirations. Our services range from bespoke, discretionary investment management to retirement planning and tax-efficient investing. Our focus on discretionary investment management has led to significant growth in client funds and we now manage approximately £30 billion of client funds, on a discretionary basis.

In line with the premium we place on personal relationships, we've built a network of 28 offices across the UK, Channel Islands and Ireland, staffed by qualified investment managers and financial planners. We are committed to the most exacting standards of client service, with long-term thinking and absolute focus on our clients' needs at the core.

We are proud of our success and have the vision and ambition to grow into the UK's leading provider of discretionary wealth management. We were awarded a 5 star Defacto 2016 rating for our DFM Managed Portfolio and in 2015, we won the City of London Wealth Management Awards for Best Discretionary Service Award and the Portfolio Adviser Gold Award for Best Cautious Portfolio Manager - Large Firm. We are committed to building on our strong track record and delivering continued value to both our clients and shareholders.

#### **How do you deliver on your clients' investment objectives?**

Some of our clients make their own investment decisions, but for the vast majority we make the investment decisions for them. This is often referred to as managing assets on a 'discretionary basis'. Each of our discretionary managed clients have their own dedicated investment manager who is responsible for identifying that client's specific investment needs, objectives and risk appetite, and for ensuring (on an ongoing basis) that their investments are suitable for them.

#### **How do you decide whether an investment is suitable for a particular client?**

Our investment managers are aware of our clients' individual investment needs, objectives, risk appetite and any ethical restrictions, as well as the need for some of our clients to hold particular investments due to personal reasons, such as cherished holdings. Our investment managers will make the investment decisions for each of their clients within the confines of these parameters. In making investment decisions on behalf of their clients our investment managers are supported with analysis and guidance from our internal research team.

When investing on behalf of our clients we aim to take long-term holdings in companies that demonstrate good corporate governance and commitment to shareholders.

### **Discharging our Stewardship responsibilities**

### What is stewardship?

Stewardship aims to promote the long term success of companies in such a way that the ultimate providers of capital (i.e., the shareholders) also prosper. Effective stewardship benefits companies, investors and the economy as a whole. This document comprises our Stewardship Policy and discloses how we apply stewardship with the aim of enhancing and protecting investment value for our clients.

### Are you aware of the Financial Reporting Council's Stewardship Code?

Yes, we actively support the Financial Reporting Council's work on stewardship and signed up to their UK Stewardship Code in 2011. We have used their guidance and their seven principles of stewardship to help us create this Stewardship Policy.

### How do you support good Stewardship?

As recommended by the Financial Reporting Council, our stewardship activities include monitoring and engaging with our investee companies. Being long term investors, we prioritise the maintenance of financial flexibility throughout the business cycle over the need to maximise short-term profitability and so we tend to focus on such matters such as:

- Strategy formation, setting objectives which build a long-term sustainable business model;
- Strategy execution, prioritising the achievement of strategic objectives over short term performance considerations;
- Risk, as seen from the perspective of all stakeholders;
- Capital structure, not just as a snapshot but also through a process of sound capital allocation; and
- Corporate governance, including in respect of culture and remuneration.

We engage with our investee companies through purposeful dialogue on these matters as well as on issues that are the immediate subject of the vote at general meetings.

### Stewardship Committee

We also recognise that stewardship is ultimately more than just voting and so, since 2014, we have had a group 'Stewardship Committee' which has the broader aim of ensuring that our clients' interests as holders of securities are protected and, where appropriate, ensuring proactive shareholder action is taken in the best interest of those clients. The Stewardship Committee is responsible for:

- The oversight of stewardship matters;
- Ensuring our stewardship policy is adhered to;
- Regularly reviewing the policy;
- Monitoring actual voting records on an exceptions basis to ensure the effectiveness of the Stewardship Policy; and
- Reviewing any stewardship matters that have been escalated for determination (for example, where our research team identifies a conflict of interest).

The Stewardship Committee meets bi-annually or on an ad hoc basis as required and is comprised of the Committee Chairman and representatives from our:

- Research Department;
- Investment Management Department (in addition to the Chairman);
- Charities & Institutions investment management team;
- Business Support Department; and
- Company Secretariat.

The Stewardship Committee works closely with our in-house research team in order to ensure that our stewardship activities are integrated into our wider investment process.

## **Monitoring**

### How do you monitor the companies in which your clients have investments?

We believe that effective monitoring of our investee companies is an essential component of stewardship and our approach to monitoring is set out below. Our Stewardship Committee periodically reviews our approach to make sure that it continues to be appropriate and effective.

We monitor the vast majority of our investee companies (calculated by reference to assets under management), however there are certain holdings that are not covered, for instance, where the decision to invest in such companies was driven by our clients rather than our investment managers.

Our research team regularly monitors a universe of large, liquid, predominantly UK-listed companies, as well as some US and European companies. Individual members of the research team specialise in particular industries and sectors allowing them to maintain a detailed knowledge of the key drivers for each sector. They are also responsible for keeping note on all of the companies within their sector that they cover and for producing research that reflects their current views of those companies.

Our monitoring of these companies is carried out by both our own research team investment process and our use of a third-party proxy research service provider (currently ISS). Our investment process highlights a series of red flags to look for, particularly in the sphere of ethics, capital allocation and alignment of interests, which could undermine our investment case and may cause us to disinvest or exercise our vote in a particular way. The proxy service also provides us with ad hoc recommendations based upon their review of good governance practices. We use the proxy service for these purposes as it helps us to identify potential breaches of specific governance practices (particularly in smaller investee companies) that may not be identified during our normal monitoring process.

As part of our monitoring process we are particularly interested in:

- Keeping abreast of the investee company's performance;
- Keeping abreast of developments, both internal and external to the company, that drive the company's value and risks;
- Satisfying ourselves that the company's leadership is effective;
- Satisfying ourselves that the company's Board and committees adhere to the spirit of the UK Corporate Governance Code, including through meetings with the chairman and other Board members; and
- Satisfying ourselves as to the quality of the company's reporting.

Any issues that are identified via our monitoring process (for example, those that may result in a loss in investment value) are discussed within the research team and a preliminary decision is reached in respect of whether they need to be raised with the company.

## **Escalation**

### How do you engage with investee companies and why?

We will actively engage with any company in which we perceive there to be a stewardship issue. This may arise through our specific stewardship monitoring (including via our third party proxy service) or our more general investment research. Instances where it may be necessary for us to engage directly with the company include where we have concerns about the company's strategy, performance, governance, remuneration or approach to risks, including those that may arise from social and environmental matters.

If our monitoring process identifies a departure from the UK Corporate Governance Code in respect of an investee company then we assess the reasons given for the departure and decide whether it is reasonable. If we determine that the explanation is not reasonable and our opinion differs from our proxy advisor, we may then engage directly with the company.

We initially escalate our concerns to investee companies confidentially. We normally do this by contacting the Investor Relations department of the relevant company. Those concerns that are addressed by the company through this approach are (if necessary) reflected in the research issued by our research team to the wider Brewin Dolphin group. This research is never made public.

In the event that it is necessary to escalate matters within the investee company and take a more proactive approach, we may do so by (for example):

- Engaging with the company ahead of General Meetings (for companies in which we have a major holding), where appropriate and practicable;
- Attending ad hoc meetings with the company including via analyst conference calls (this also forms part of our general monitoring activities);
- Expressing concerns through the company's advisers;
- Meeting with the chairman or other Board members to discuss concerns;
- Making a public statement in advance of General Meetings; and
- Submitting resolutions and speaking at General Meetings.

Examples of engagement we have had directly with investee companies are:

- Engaging actively with management on the alignment of interests created through their executive pay structures. Where such structures are asymmetric or poorly benchmarked we will seek change and in some situations, will vote against them;
- Still on the issue of executive pay, engaging with management where we feel that the interests of executives are not adequately aligned with those of the shareholders (such as where executive pay packages reward short-term performance rather than long-term sustainability); and
- Meeting regularly with company senior management and discussing a wide range of issues relating to company performance and interaction with stakeholders.

### How else do you engage with investee companies directly?

Assessment of company management is also a crucial part of our investment process. We see the role of company management as being to allocate capital in a way which fosters long term profitability in a sustainable way. As such they should surround themselves by an expert management team and invite scrutiny by a strong Board and robust challenge from non-executives.

The same values are held by our team (sitting within our wider research team) responsible for the research of Investment Companies. They also conduct meetings with fund managers and Boards as part of their process of formulating recommendations based on both quantitative and qualitative information. As part of a two way process of communication we are regularly canvassed by investee company Boards as to the advisability of various proposals.

### Price sensitive information

Given the 'discretionary' nature of the majority of our business we take steps to ensure that we are not generally exposed to price sensitive information in respect of particular companies or transactions, as we believe that acting in our clients' best interests involves us retaining the freedom to make independent investment decisions on their behalf. In the unlikely event that one of our employees receives price sensitive information, we ensure that we report it to our Compliance department and follow company policy to ensure that at all times we are in compliance with our legal and regulatory obligations.

We retain a dedicated contact who oversees matters concerning price sensitive information, being our Head of Compliance and Financial Crime. For any queries in respect of specific matters concerning price sensitive information or our approach generally, please contact our Press Office on 0845 213 1000 (UK only) or + 44 20 7248 4400 (International), or by email at [press@brewin.co.uk](mailto:press@brewin.co.uk)

## **Voting**

### When and how do you vote on behalf of your clients?

For those clients for whom we act as discretionary investment manager, we are in most cases the 'legal owner' of our clients' investments. Because of this, we are invited to vote on behalf of our clients (being the 'beneficial owners') in respect of their investments held via our nominee companies. Despite technically being the legal owners of the shares, we strongly believe that the voting rights attached to shares in our nominee companies should reflect the views of the underlying beneficial owners. For this reason, where the investee company in question permits electronic voting and/or is one of our 'core holdings', we give our clients the first opportunity to vote on their own shares using the 'Vote Your Shares' section on our website. This allows clients with shares held in our nominee companies to exercise their votes as they see fit rather than us. Where electronic voting is not permitted, clients may submit voting instructions directly to their investment manager or usual Brewin Dolphin contact (as applicable).

Most clients, however, do not vote themselves and so in the closing days before each AGM, we vote the balance of each shareholding not voted by our clients and over which we have discretion (being the majority of the stocks held in our nominees). We seek to vote all shares held in this way. Where we (rather than our clients) vote, we use the following procedure:

- Our research team will consider how to vote on each 'core holding';

- They then review the opinion of our third-party proxy research service provider, currently ISS, who provides them with a recommendation in respect of the vote. We use ISS for this service as they often identify particular issues that may not be identified via our own broader monitoring process; and
- Our research team's decision is final and we do not necessarily follow ISS's recommendation or automatically follow the investee company's Board.

On occasion we may decide to vote on a non-core holding. This may be for example, prompted by our monitoring or engagement with the company, or by a particular client or investment manager. In such cases our research team will vote taking into account ISS's recommendation, but not necessarily following it.

If our voting decision is contrary to both the proxy recommendation and the investee company recommendation then the relevant research team analyst will engage with the company in advance of the vote to explain our assessment. If our decision is contentious, meaning that the voting position taken may attract public scrutiny, then the recommendation is escalated to the group's Investment Governance Committee (which oversees our Stewardship Committee).

#### Can I see how you have voted?

Yes. We keep a record of how we have voted. This record is publically available to view on our website at <https://online.brewin.co.uk/vys/>

#### What is your approach to stock lending?

We do not engage in stock lending and this is made clear to our clients at the outset of our relationship with them via our terms and conditions.

#### **Acting collectively with other investors**

##### Do you ever engage with other investors?

We are willing to engage with and listen to the views of other investors, especially where our respective stewardship interests are aligned and where we believe that taking such action will enhance the possibility of an outcome that will be for the long term benefit of our clients. Although it doesn't happen very often, the types of issues that we would be likely to engage collectively on mostly comprise the situation where one shareholder or group has a particular motion they would like to see supported. This could involve for example, changes to Board membership, support of remuneration policy or authority for a transaction. An example of this is where we engaged with other shareholders in a particular investee company in order to discuss their proposals to appoint an additional shareholder representative to that company's Board.

In order to ensure that we are able to engage collectively when required, we hold long-standing memberships of various industry bodies, such as the Wealth Management Association. Representatives from our research team (usually the relevant industry or sector specialist) also meet with other investors on an ad hoc basis to discuss perspectives on particular issues. We will never undertake to vote in a particular way during such discussions, especially as we always ultimately act in the best interests of our clients, who in any event retain the right to vote themselves via our Vote Your Shares service. Whether engaging formally through industry bodies or informally with other interested stakeholders, we always ensure that our actions adhere to all applicable laws and regulations.

We do not retain a dedicated named contact for matters involving collective engagement. It is usually the relevant industry or sector specialist from our research team who would engage in this way. However if institutional shareholders, asset managers or industry bodies wish to approach us in order to discuss corporate governance or stewardship issues, they should initially contact our Press Office on 0845 213 1000 (UK only) or + 44 20 7248 4400 (International), or by email at [press@brewin.co.uk](mailto:press@brewin.co.uk)

## **Reporting**

### How do you report and record your stewardship and voting activities?

Our stewardship activities are monitored by our Stewardship Committee and this includes any stewardship activities specifically conducted and recorded by our research team. Our voting activity is recorded on our website as explained in the 'Voting' section of this policy.

### How do you account to your clients and how often do you do this?

We send investment reports to our clients on a regular basis in accordance with regulatory requirements or as otherwise requested. These reports primarily show how our clients' investments are invested across the various asset classes compared with their chosen benchmark and how those investments have performed compared with the same benchmark. The UK Stewardship Code recommends that signatories to the Code account to clients as to how they have discharged their stewardship activities. However, our reports do not generally do this. This is because our stewardship activities mainly comprise the 'behind the scenes' work performed by our research team (most often on a confidential basis) that culminates in our vote. This is also a reflection of the 'discretionary' mandate given to us by our clients. As mentioned above, the outcome of these activities is publically available i.e., our voting record as disclosed on our website.

Whilst we do not formally report our Stewardship activities to our clients as explained above, we are always happy to discuss stewardship matters with individual clients on request (and that also includes those matters upon which we have engaged collectively with other investors). Any clients who are interested in discussing our stewardship activities with us directly should contact our Press Office on 0845 213 1000 (UK only) or + 44 20 7248 4400 (International), or by email at [press@brewin.co.uk](mailto:press@brewin.co.uk)

## **Conflicts of Interest**

### How do you manage conflicts of interest?

We are an independently-owned firm, listed on the London FTSE 250 and are not bound to a corporate group. We also do not purchase shares or other investments for our own account and, where we have a discretionary mandate, we do not invest our clients in our own listed shares. We believe that only with an approach like ours can wealth management advice be truly bespoke to our clients.

Even though we are structured to maximise our independence, from time to time conflicts of interest will inevitably arise, but that does not mean we stop acting in our clients' best interests. That of course, remains our primary duty.

We also always want to maximise our level of engagement with our investee companies, even in situations where we have identified a conflict of interest. The way in which we achieve this is by partitioning those responsible for engagement from those who might be conflicted. If we are ever asked to vote on behalf of our clients in circumstances where we are unable to manage a conflict of interest on this basis, we will abstain. We consider that by taking this approach the affected party can (in circumstances of an abstention), alert their company Board of our policy in advance so any voting statistics can be adjusted accordingly.

Some examples of conflict of interest situations that we have previously encountered are set out below, along with the steps that we would take (and indeed have taken) to resolve them:

- Where the director of an investee company is a client: In this case we would wish to ensure that the principle decision (being the vote) is exercised in the interest of our broader client base. We would achieve this by ensuring that the decision is made by non-client facing staff. In this particular case, that would be our research team.
- Where Brewin Dolphin is engaged with an investee company in the context of a potential corporate transaction or strategic alliance, with an entity in the Brewin Dolphin group: In this case, in the unlikely event that our research team is aware of the engagement, our Stewardship Committee would take responsibility for the vote and would also ensure that there is no overlap between the membership and decision making of our Board (in respect of the corporate matter) and the Stewardship Committee. If it were not possible to manage the conflict in this way (for example, due to the particular circumstances of the conflict), we would abstain.
- Where an employee or officer of Brewin Dolphin also serves as an officer of an investee company. In respect of a vote concerning that investee company, we would abstain.

We also have a publically available Conflicts of Interest policy that can be accessed at: <https://www.brewin.co.uk/site-services/conflicts>. A hard copy of this policy is also available on request. This policy summarises the principal conflicts that exist in our business and the steps we take to mitigate them.

## **Our Stewardship Policy**

### How frequently do you review your Stewardship Policy?

The Stewardship Committee is tasked with reviewing our Stewardship Policy, process and activities on a regular basis which must be at least annually. The policy was last updated in February 2017.

### Is your Stewardship Policy independently verified?

The UK Stewardship Code recommends that each signatory company should obtain an independent opinion on their engagement and voting processes, and that this opinion should be made available to clients upon request. Our full Stewardship Policy and processes (and not just engagement and voting) will be subject to our internal audit process for the 2017/18 tax year and future years, and these audits will be carried out by an independent auditor. As explained above, our Stewardship Committee also regularly reviews our Stewardship Policy, process and activities, and our Stewardship Policy (as updated and amended), is of course available for public scrutiny via our website.

From a more 'outcomes' focused perspective, it is in both our own and our clients' interests to ensure that our Stewardship Policy and stewardship activities contribute to us only investing in those companies that demonstrate good corporate governance and shareholder commitment on an ongoing basis. The result of this will be reflected in the performance of our clients' investments for which our clients will ultimately hold us to account.

Who should I contact if I have any questions about your Stewardship Policy?

If you have any questions about this policy then please contact our Press Office on 0845 213 1000 (UK only) or + 44 20 7248 4400 (International), or by email at [press@brewin.co.uk](mailto:press@brewin.co.uk)

**March 2017**