



While the summer is typically a quiet time for company meetings, Brewin Dolphin has been busy engaging with our investee companies and funds on important issues that have the potential to impact the value of our clients’ shareholdings. In particular, our focus has been on our industry leading controversies tracking process, managed by our expert fund analysts.

Activity snapshot

- Voted in favour of virtual only AGMs.
- Voted in favour of all directors this quarter.
- Engaged with fund managers over allegations that Thermo Fisher’s products are being used to discriminate against Uyghurs in Xinjiang, China.
- Engaged with companies prior to AGMs on votes on remuneration, diversity and share issuance.

In September, The Financial Reporting Council announced that Brewin Dolphin had been successful in our application to be a signatory of the UK Stewardship Code 2020. This code sets high stewardship standards for those investing money on behalf of UK savers and pensioners, and we are proud to be included.

This achievement demonstrates our commitment to stewardship and responsible investment. Although we, and the industry, still have a long way to go, we look forward to reporting further enhancements to our approach in our 2022 Annual Stewardship and Engagement report.

Our voting and engagement stats

52 engagements as part of the controversy tracking process

Votes for the quarter 01/07/21 – 30/09/21



Of the 17 meetings at which we voted this quarter, at 16 we voted with management on all resolutions. In one meeting, we voted against management at least once. There were no abstentions over the past quarter.

Our voting and engagement activity

As part of our voting processes, which applies to the top 75% of our equity assets, our analysts will actively assess each resolution for its potential impact on company performance, and the value of our clients' shareholdings.

As part of this, we consider the recommendations provided to us by ISS, our proxy research provider, according to their sustainable voting policy. They highlight contentious votes and may sometimes recommend a vote against management. However, we are free to undertake our own research and the decision of our expert analysts can override these recommendations, which occurred four times over the quarter.

One example in the quarter, surrounded the very real problem of a lack of diversity at the board level. Unfortunately, Syncona, whose AGM took place during the period, has a less than ideal gender split and as a result, ISS recommended a vote against the chair of the nominating committee as a way of showing our dissatisfaction. While this is a valid way to voice our opinion, to us it felt counter-productive given that the chair of the nominating committee is female. Instead, we have decided to engage with the board directly to explain our views and understand their plans to increase diversity, both in terms of gender and ethnicity, on their board.

Engaging on market failures: microplastic pollution

Sometimes our engagements go beyond a single company and look to address a systemic issue that affects all of us. The conclusion of one such project on microplastic pollution is discussed here. However as with most stewardship activities, the end of one project marks the beginning of another as we seek the best outcomes for our clients and wider society.

Plastic pellets are tiny balls of plastic and are how most plastic products begin their life. They are produced by petrochemical companies and transported around the world to be shaped into their final product. It is estimated that of the 270m tonnes produced every year, 230,000 tonnes of plastic pellets are spilt into the ocean with devastating consequences for marine life. This occurs at every stage of the manufacturing process, at all points on the supply chain.

Companies using plastics often have extremely thin margins and face fierce competition, so while high standards of environmental awareness may be laudable, they are unaffordable. Relatively simple steps can be implemented to prevent wastage, but there is little economic sense in any one company doing so, unless the whole industry prioritises the matter. Solving this type of market failure is of great importance as society's focus sharpens on issues such as biodiversity loss and climate change. It is also important financially, as reduced waste leads to greater efficiency and lower costs.

As a member of the Investor Forum, Brewin Dolphin was presented with an opportunity to be part of the first investor-driven initiative to address an environmental issue through more than just company engagement. We decided this was a cause that affected everyone, including the companies in which we invest and therefore our clients. We joined an investor group to co-sponsor, alongside DEFRA and the British Plastics Federation (BPF), an auditable standard aimed at preventing the loss of plastic pellets into the environment across the entire plastic products supply chain. This initiative provides a tangible example of how to address market failure whilst remaining removed from the point of failure.

The standard (PAS 510) has now been officially launched, and companies can apply an auditable and verifiable risk-based approach to eliminate pellet loss and demonstrate compliance with best practice throughout their supply chains. The standard will be freely available and internationally applicable, which makes it an attractive tool for procurement teams and investors alike.

Backed by this new standard, we will now engage with the end users of plastics in whom we invest. We can ask them to ensure that their supply chain conforms to PAS 510, and that they request audits to evidence that compliance. Having sponsored this standard, we can demonstrate to these companies that this is an issue we take seriously.

With the introduction of this standard, companies and investors have clear guidance on what best practice is, and who is doing it.

Controversy tracking

Our approach to responsible stewardship does not stop at our direct investments. We work with the managers of the funds we buy for our clients, to ensure that companies to which we are indirectly exposed are being correctly monitored and engaged with where appropriate.

Our controversy tracking philosophy

Real-time analysis of ESG leadership

- ESG leadership is often assessed by a collection of factors, such as policies, reporting or committees. However, we believe that you only truly know how a company treats stakeholders when controversies emerge.
- We evaluate a fund's ESG integration predominantly by analysing its past investment actions. Monitoring their response to corporate controversies can build evidence or provide challenge to our conclusions.

Monitor the funds' stewardship process

- Our controversy tracking process allows us to monitor their activities as they are happening, as well as the initial due diligence we undertake with each fund.
- We will escalate matters within a fund house where we feel their engagement is not of a sufficient standard.

Exert influence over our holdings in collectives

- We do not intend to dictate investment or voting decisions, however, ensuring that our fund managers know they are being monitored closely may encourage more responsible ownership.

Through this process, over the last quarter alone, we have undertaken a total of 52 engagements over seven controversial issues.

An engagement of note from our controversy tracking process concerned Thermo Fisher, the American life sciences company. Our sources of controversy data (Vigeo Eiris and Sustainalytics) flagged to us that some of Thermo Fisher's products, such as DNA sequencing kits, were still being used by the police in

Xinjiang, China for surveillance and discriminatory purposes against Muslim Uyghurs. This allegation comes two years after the company said they would no longer sell their products in the region. We wanted to see how the fund managers were addressing this issue, and how well their stewardship processes work in practice.

We identified the holding in 21 of our covered funds (those monitored by our analysts), 12 of which were actively managed and contacted the respective managers. We did not engage with passive funds on company specific issues as the managers are simply following an index. We received 10 responses, many of which were extremely comprehensive and well thought out.

One of the best responses came from BMO Responsible Equity, a fund on our Socially Responsible Investing (SRI) Buy list, who outlined the engagement work they had been undertaking with Thermo Fisher, both collectively and on a one-to-one basis. Through this engagement work, they believe that the involvement of Thermo Fisher in Xinjiang is not deliberate and are mindful that the company cannot always control the end use of its products. Overall, BMO felt they had a better understanding of the companies attitudes and actions related to social responsibility, and were positive about the company's growth prospects.

Some of the poorer responses stated that the fund manager was not aware of these allegations. As a result, we have set up meetings with senior management at these fund houses to escalate our concerns and understand how they are being addressed by the managers in question.

This process has helped us achieve a number of objectives:

- Deepen our understanding of how funds we invest in engage with investee companies
- Escalate responses that have been less than satisfactory
- Identify leaders in the area
- Satisfy ourselves with our rationale for holding the funds, and indirectly the companies in question.

The value of investments, and any income from them, can fall and you may get back less than you invested. Neither simulated nor actual past performance are reliable indicators of future performance. Information is provided only as an example and is not a recommendation to pursue a particular strategy. We or a connected person may have positions in or options on the securities mentioned herein or may buy, sell or offer to make a purchase or sale of such securities from time to time. In addition we reserve the right to act as principal or agent with regard to the sale or purchase of any security mentioned in this document. For further information, please refer to our conflicts policy which is available on request or can be accessed via our website at www.brewin.co.uk. Information contained in this document is believed to be reliable and accurate, but without further investigation cannot be warranted as to accuracy or completeness. We will only be bound by specific investment restrictions which have been requested by you and agreed by us.