



Quarterly Stewardship Update

As the days grew darker and things started to wind down for the winter holidays, so too did company meetings tail off for the year. This last quarter has been quiet in terms of the number of meetings, but that hasn't stopped our analysts ensuring that their votes are made in the best interest of our clients. We have also remained active in our engagement activities.

Activity snapshot

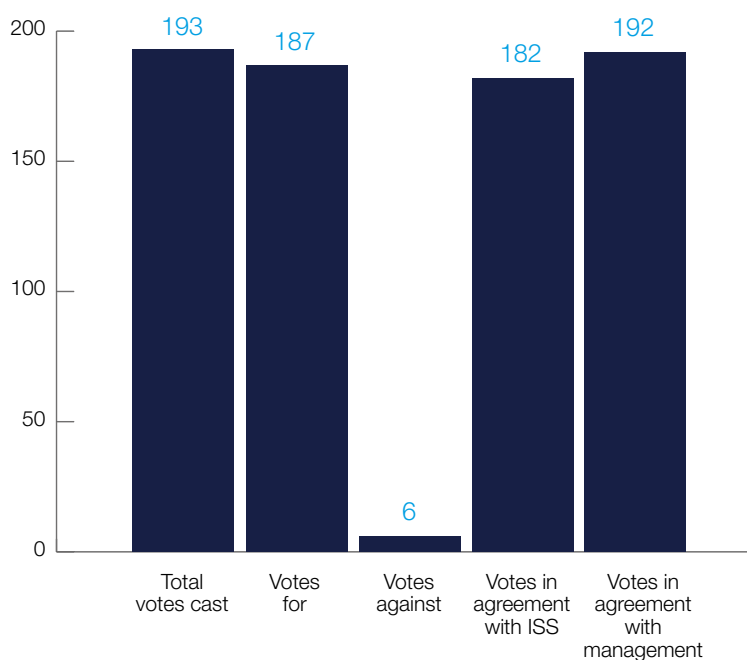
This quarter we have:

- Supported changes to corporate structure to benefit our clients (case studies: Corporate restructures).
- Voted in favour of increases to executive pay (case study: Supporting Remuneration Increases).
- This report also contains reflections on stewardship in 2021 and the developments we have seen.

Our voting statistics

This quarter we voted at a total of 14 company meetings.

Voting breakdown



Corporate restructures

While it is not uncommon for companies to make changes to the way they structure themselves, this quarter proved busier than usual for large firms making such announcements.

BHP

The global mining company has historically been listed in the UK and Australia. Recently, BHP announced plans to collapse its dual listed company (DLC) structure. Under this plan, our clients, who mostly hold UK listed BHP PLC shares, would receive UK listed shares in the Australian incorporated BHP Ltd. We wanted to ensure this plan would not disadvantage our clients, and arranged a call with investor relations at BHP to discuss in more detail.

Our concerns were as follows:

- Australia has lower corporate governance standards than the UK, to which BHP would no longer be subject. While current management plans to their existing high standards of corporate governance on a voluntary basis, there is no guarantee future management will honour this. As management teams change over time this must be kept under scrutiny.
- Liquidity will fall as a result of the changed listing in the UK. While this is the case, and BHP will no longer be part of the FTSE 100, we believe the implied liquidity will still remain more than adequate for our clients, at least in the medium term.
- The Australian listing has for many years traded at a higher price than the UK listing. The fact that the new UK and Australian listings will be directly interchangeable has led to this gap closing, which is a positive for PLC holders.

Following this engagement, our view is that the positive economic impact of the collapse of the DLC structure for UK shareholders outweighs the relatively minor concerns around governance. The benefit of this engagement has been the clarity it has given us, which has added to our own due diligence and research to allow us to feel comfortable that the actions being taken by BHP are in the best interest of our clients.

Royal Dutch Shell

Royal Dutch Shell held a special meeting in December, asking shareholders to approve their decision to simplify the existing share structure. The current structure, split into A and B shares, is in our view inefficient and costly to both company and shareholder. We anticipate there will be a one off tax charge relating to the simplification but

this is likely to be greatly outweighed by the benefits of the transaction, and in any case the charge will be relatively insignificant for a company the size of Royal Dutch Shell. We were happy to vote in favour of this proposal and consider it to be in the best interest of our clients.

Supporting remuneration increases

Excessive executive pay is often a concern for investors.

In the case of Picton Property Trust, however, we voted in favour of increasing the fixed remuneration of the directors. An independent survey found that the directors were paid less than the industry average, and a significant proportion of total remuneration came from variable pay. Due to the key person risk this poses, and

the fact that management are incentivised by investment performance and not just assets under management, we were comfortable with proposals to shift the balance more towards fixed pay. This should improve retention of key executives, which ultimately should benefit shareholders.

Reflections on 2021

2021 has been an important year for stewardship at Brewin Dolphin and the industry as a whole. While stewardship has always been an important part of our approach to being a responsible investor, this year we have enhanced our efforts, especially when it comes to reporting and transparency. Our voting record has long been available on our website, and through our quarterly updates and annual stewardship and engagement report we have added colour to the numbers by providing rationales and case studies to help clients understand how we are voting on their behalf.

The Financial Reporting Council's Stewardship Code 2020 sets high stewardship standards for those investing money on behalf of UK savers and pensioners, and this summer we were proud to have been included in their first list of signatories. More than just a logo, this status recognises our commitment to good stewardship and transparent reporting.

Throughout the year, we have covered many topics within these quarterly updates. But one theme runs clearly throughout: the need for transparency. Corporates are increasingly stepping beyond pure capitalism. They are accepting their role in fighting big issues: climate change, inequality and human rights abuses to name a few. Corporate pledges and targets signal a desire to change, but only through good stewardship can investors ensure that real action is being taken. By voting at company meetings and engaging directly with management, investors like Brewin Dolphin can promote change and push companies to make meaningful contributions to environmental and societal issues, not forgetting that often in doing so they become a better investment.

Through our voting, we have told companies to report more on climate change, the actions they are taking and the risk it poses to them. Better reporting provides our analysts with more information, so that they can make even more informed decisions for our clients. We have also engaged on diversity at the board level. We appreciate the importance and benefit of diversity at all levels of a company, but also understand that at board level it is not something that can be changed overnight. So rather than automatically voting against the existing directors when the balance is not right, we prefer to find out their plans to foster more diversity and hold them to account on these.

Transparency is not just for our investee companies. Clients, the industry and activists are, rightly so, calling on investors to disclose how they are voting, and why, on important issues.

In a recent report, ShareAction, a non-profit working towards a global investment sector that takes responsibility for its impacts on people and planet, looked into whether asset managers are using their votes for action on environmental and social issues. The key findings from the report show that overall, voting progress on these issues has stagnated and many asset managers are still not exercising their voting rights. Better transparency here would include voting policies and rationales, not just publishing voting records. We are looking forward to seeing how asset managers respond to these findings, and will challenge managers when we do not see progress.

At Brewin Dolphin, we are working hard to continually enhance our own transparency, including investing in more resources to bolster our stewardship work. This series of quarterly stewardship updates is evidence of the importance we place on it.

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.