



The late summer is a quieter time for AGMs and a good opportunity to take stock and plan for the remainder of the year. We are always keen to develop our approach and take on new challenges. We are excited to be a member of the newly launched Nature Action 100 initiative, which is discussed in more detail later in this report.

Activity snapshot

This quarter we have:

- Engaged on recurring cultural problems at McDonald's via our controversy tracking process
- Joined Nature Action 100
- Finalised our stewardship priorities and summarised the current regulatory environment
- Successfully reapplied for signatory status to the UK Stewardship Code

Our voting statistics

This quarter we voted at a total of 19 company meetings.

Votes for the quarter 01/07/23 - 30/09/23

19	18	1	0
meetings	with management	against	abstentions

Over the past three months, we voted at 19 meetings. At the majority of meetings, we voted with management on all resolutions. In one meeting we voted against management on at least one resolution and there were no abstentions. While we appreciate the insights lent to our analysis by Institutional Shareholder Services (ISS), our proxy voting provider, we continue to take a more nuanced approach to voting informed by our engagement with companies. For this quarter, this means that in six meetings we decided not to follow ISS recommendations for at least one resolution.

Case Study

Culture at McDonald's

Over the past few months, stories began emerging in the news about allegations relating to sexual harassment at McDonald's franchises in the UK. While it is not one of our largest holdings, McDonald's is the second largest private employer in the world, and these issues seem to reoccur throughout their global operations, indicating a potential cultural issue. Therefore, we felt it was something we should follow up on through our controversy tracking process.

We reached out to two fund managers to ask them for their views on the issue, if they had engaged with McDonald's and whether it had affected their investment case. Both managers responded thoughtfully, demonstrating their knowledge of the company structure, which is heavily franchised, and the issue itself. They noted an immediate acknowledgement and apology from McDonald's, with swift action taken, including a review and the setting up of a unit to handle complaints from employees about matters such as bullying, assault or harassment. Given the information we received from our fund managers, we remain assured of the quality of their ESG integration and stewardship processes. We will continue to monitor the situation going forward.



while the Financial Conduct Authority (FCA) is finalising its Sustainability Disclosure Requirements regulation and reforms to the UK listing rules.

These changes all require input from industry participants, and we at RBC Brewin Dolphin are keen to ensure our voice is heard and, where appropriate, we inform the policy making process for the benefit of our clients and their long-term interests. We understand that as an asset manager, we don't exist in isolation, and stewardship is not just about votes and company engagement. Therefore, we are very tuned in to different market dynamics and where needed actively engage in dialogue with policy makers through our industry association memberships. Our driver is to ensure that the UK market becomes more competitive, while maintaining its integrity and world leading standards, and balancing the risk to investors and society from corporate failures.

Successful reapplication to the UK Stewardship Code 2020

The beginning of September saw the release of the Financial Reporting Council's (FRC) updated list of signatories to the UK Stewardship Code 2020. The code, significantly overhauled in 2020 from its earlier 2012 version, is based on 12 principles of good stewardship, and sets high stewardship standards for those investing money on behalf of UK savers and pensioners. **RBC Brewin Dolphin were pleased to have been included in this list for the third year running, demonstrating our commitment to this area and the benefits it can bring.** As proof of the ever-increasing demands for transparency and progress in this area, the Stewardship Code 2020 is already set for review in 2023, only three years after its latest reincarnation. This just goes to show how fast moving and important good stewardship is.

Policy roundup

There is currently a lot of discussion around enhancing global competitiveness for UK companies, and much of this work revolves around good governance and adequate disclosure of risks, specifically those relating to sustainability issues, while balancing the reporting burden on corporates. The Stewardship Code, as mentioned above, is a prime example of this, putting high UK standards out for others to follow. The FRC is also overhauling the UK Corporate Governance Code,

A targeted approach to maximise our potential

Reacting to controversies or engaging around AGMs is important but, in our view, it should always go hand in hand with proactive engagement on key, systemic issues such as, for example, addressing climate change. Such issues often require us working together over the years with other stakeholders to correct market failures and reduce risks to the economy as a whole, which we consider critical for protecting and enhancing the value of our clients' assets.

A number of environmental and social issues have come to the forefront, affecting our investments and clients in various ways. However, our resources are not infinite, and therefore it is important to prioritise engagements to maximise the positive benefits we can achieve. Our programme of proactive engagement focuses on four broad themes that, in our view, encompass the most critical ESG issues: climate, nature, human rights and governance.

This view was supported by a survey of our investment managers, asking them to rank certain stewardship topics in order of importance to them and their clients. It came as no surprise that climate was ranked highest, followed closely by human rights and then nature.

This past summer has shown once again that the climate crisis is one of the biggest threats we face, with wildfires,

floods and unprecedented heat waves causing disruption not just to daily life but to companies too. For example, the potential cost to insurers or the travel and tourism industry will likely be seen in the next set of company results. Addressing the climate change crisis remains a key priority for our stewardship work but, inextricably linked to the climate crisis, we are also keen to increase our efforts on our nature theme. This looks at critical issues such as biodiversity loss, deforestation and ecosystem disruption, which have the potential to change how we live our lives as well as damaging corporate profitability. Ensuring the resilience of our planet through conservation, restoration and the sustainable use of nature¹ should be a key priority.

Environmental issues are always prominent on the stewardship agenda, but expectations on social issues have also risen as well as a recognition of their importance. We believe that a fundamental respect for human rights, covering issues from modern slavery to diversity to working conditions, should guide our work on social issues. Failings in this area harms individuals and communities, and can lead to poor staff and customer retention, directly and indirectly impacting on the success of a company.

Collaborating with other investors

As strong believers in the power of collaborative engagement to deliver positive change, we anticipate much of the proactive work undertaken for these themes to be done with other investors. We are already members of Climate Action 100+, and with their second phase about to launch we plan to be even more involved, pushing for the world's biggest corporate emitters to transition to a low carbon economy. Hot on the heels of CA100+ is Nature Action 100. This brand-new initiative, which RBC Brewin Dolphin has joined, is working to drive greater corporate ambition and action on tackling nature loss and biodiversity decline. We have already used our voice and influence to sponsor a standard on microplastics pollution, which was developed by BSI, the UK national standards body, to encourage corporates to reduce the loss of plastic pellets across their supply chain. As a living wage employer, RBC Brewin Dolphin also endorsed the IDH² living wage roadmap as we believe a fair wage is a human right.

Last but certainly not least, good governance is the cornerstone of a well-run company, and therefore vital to investment returns. With very strong governance expertise on our team, we are well positioned to identify poor practices and engage in a thoughtful and knowledgeable manner. Therefore, governance will always underpin all our engagement and voting activities as a cross cutting theme.

We plan to continue and expand upon this programme of engagement, with the aim being the creation of positive outcomes for shareholders and wider society, that we can share with the ultimate owners of the capital.

Sources: ¹ <https://www.unep.org/explore-topics/ecosystems-and-biodiversity>

² <https://www.idhsustainabletrade.com/publication/global-group-of-investors-endorses-idhs-living-income-and-living-wage-roadmaps/>

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.