STEWARDSHIP REPORT 2023

For reporting period
01/01/23 - 31/12/23

evelyn
PARTNERS

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CEO MESSAGE

Response to the UK Stewardship Code 2023

Identifying, assessing and mitigating risks are central elements of our client service. The Global Risk Report, published by the World Economic Forum in January 2024, suggests that risks, both in number but also intensity, are growing. Climate change, demographic shifts, AI technology and geopolitics are changing structural forces that are making the world less stable. Evelyn Partners monitors these 'megatrends' and ensures that we are identifying and mitigating the most significant risks, both in our investment process for clients and within our operational actions. These risks also provide significant opportunities for those industries that are on the right side of these tectonic changes.

For example, major carbon emitters could find themselves with the most opportunities arising from a move to a greener economy – as long as they adapt. While the transformation may initially have been motivated by the need to act on climate change, high energy prices and falling renewable energy costs have accelerated it.

Evelyn Partners have been long term supporters of collaborative engagement programmes, with active membership of the highly successful Climate Action 100+ programme since 2019. This is now entering Phase 2 with a focus on breaking down sectoral barriers to transition and encouraging the implementation of enhanced transition plans. Our collaborative engagement focused on social issues including modern slavery and improving working conditions.

We are also increasingly active in our own themed engagement projects. The aim of our climate-related direct engagement, which begun in 2023, is to encourage investee companies with high levels of carbon emissions within their operations and lower disclosure standards and targets to raise their ambition. In the three most carbon intensive sectors of energy, materials and utilities, 43 companies were responsible for 80% of our financed emissions in directly owned equities. We have received good responses to the initial communication and will be able to share more of the results in the next report.

With an ageing population – a key aspect of our socially orientated megatrend – workforce shortages can be expected with knock-on effects to vulnerable groups. Recently, child labour was uncovered in several US-listed company supply chains. This highlights how important it is for businesses to conduct appropriate due diligence. While our exposure to these companies was minimal, we aim to focus on this risk in the second half of 2024.

We can also point to recent lessons from history that illustrate humanity's capacity for collective action during moments of crisis, with the hole in the ozone layer now healing thanks to the joint action taken on chlorofluorocarbons. There are even signs of progress on emissions. The International Energy Agency, for instance, found that government policies indicate that global energy-related CO_2 emissions may have peaked last year. While this doesn't put us on track to limit the planet to 1.5°C of warming by 2050, it is an important step in the right direction. If you look back 20 or 30 years, our lives looked vastly different. We are transformative beings when we want to be.

Paul Geddes
CEO, Evelyn Partners

ABOUT
EVELYN PARTNERS

About Evelyn Partners

Evelyn Partners is a leading wealth management and professional services group, created from the merger of Tilney and Smith & Williamson in 2020, with a rich heritage of supporting individuals, families and businesses with their financial affairs for over 187 years. With a depth of expertise in financial planning, investment management, tax advice and professional services provided from offices across the UK, Ireland and Jersey, we offer an unrivalled range of services to support our clients with the management of both their personal wealth and their business interests.

A heritage of
187
years

We are trusted with
£59.1bn
of our clients' wealth

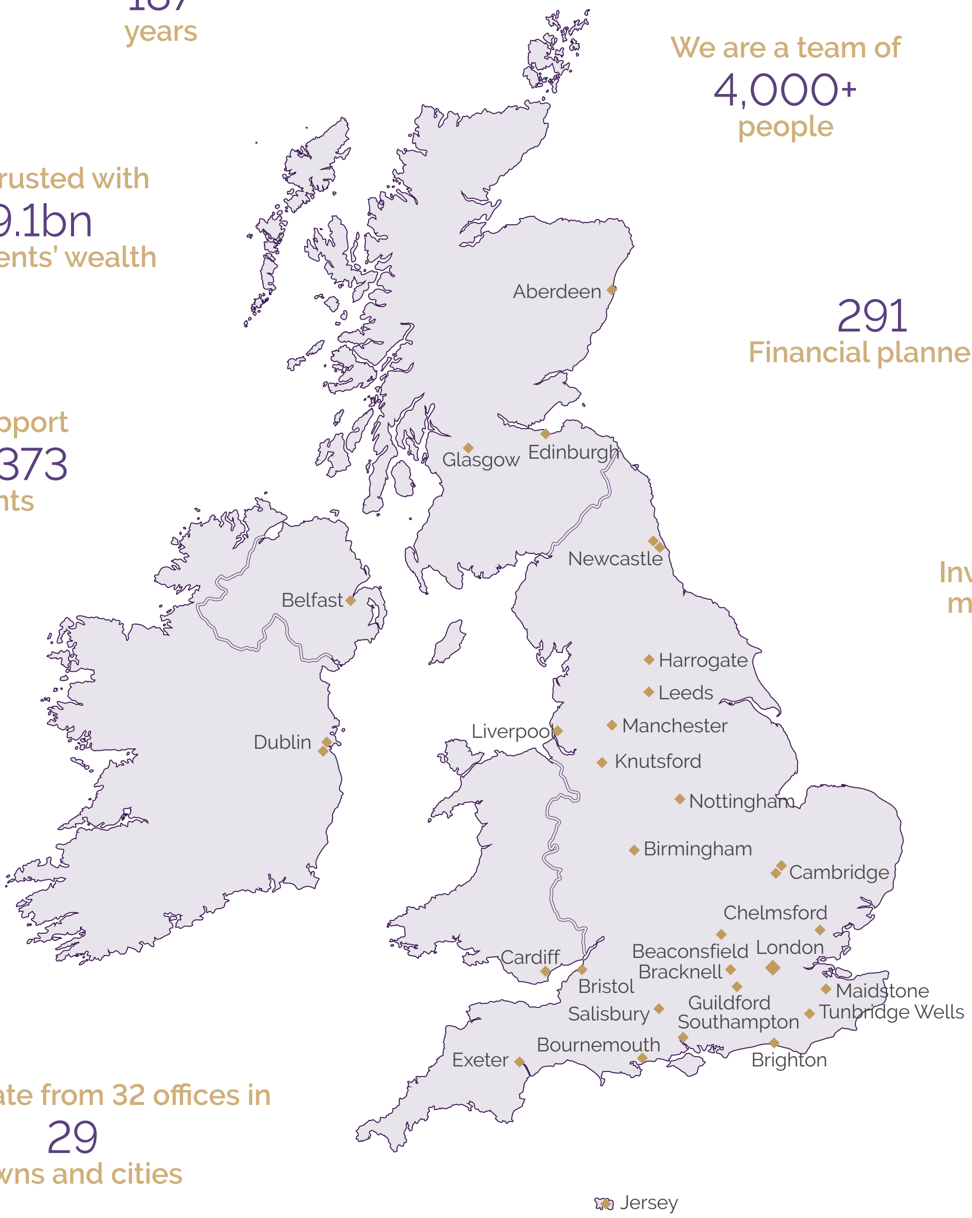
We support
180,373
clients

We are a team of
4,000+
people

291
Financial planners

331
Investment managers

768
Qualified professional services colleagues



We operate from 32 offices in
29
towns and cities

Source: Evelyn Partners Annual Report 2023

KEY ACHIEVEMENTS FOR 2023

Key Achievements for 2023

Net Zero

Evelyn Partners is seeking to manage its business in a sustainable way to minimise our environmental impact. To ensure a sustainable future, we are committed to reducing our operational climate impact and are also working with our value chain to understand and work with them to accelerate their journey. In 2023, we expanded our assessment of Scope 3 emissions, including assets under management (the 'financed emissions' from managed investment portfolios). Between 2022 and 2023 our Scope 1 and 2 emissions declined by 43% and 24% respectively, and Scope 3 (excluding financed emissions) fell by 36%.

CDP

We achieved a 'B' rating for our CDP questionnaire for 2023 – an improvement from our initial 'C' rating in 2022.

Collaborative engagement

We joined two new collaborative engagements in 2023: FAIRR and Nature Action 100. FAIRR works to reduce risks in various areas of the food chain including antimicrobial resistance. Nature Action 100 aims to support greater corporate action and ambition in reversing nature loss to mitigate financial risk.

Developing our responsible investing capabilities

During 2022 and 2023, we invested in systems and data that focused on measuring the financed emissions of our investments. We have now deployed climate datasets to investment managers.

Source: Evelyn Partners Annual Report 2023

EVELYN PARTNERS
RESPONSE TO THE STEWARDSHIP CODE

Principle 1

Signatories' 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.

Following the merger of Tilney and Smith & Williamson in September 2020, and the substantial completion of the integration of both businesses, the Group rebranded to Evelyn Partners on 14 June 2022.

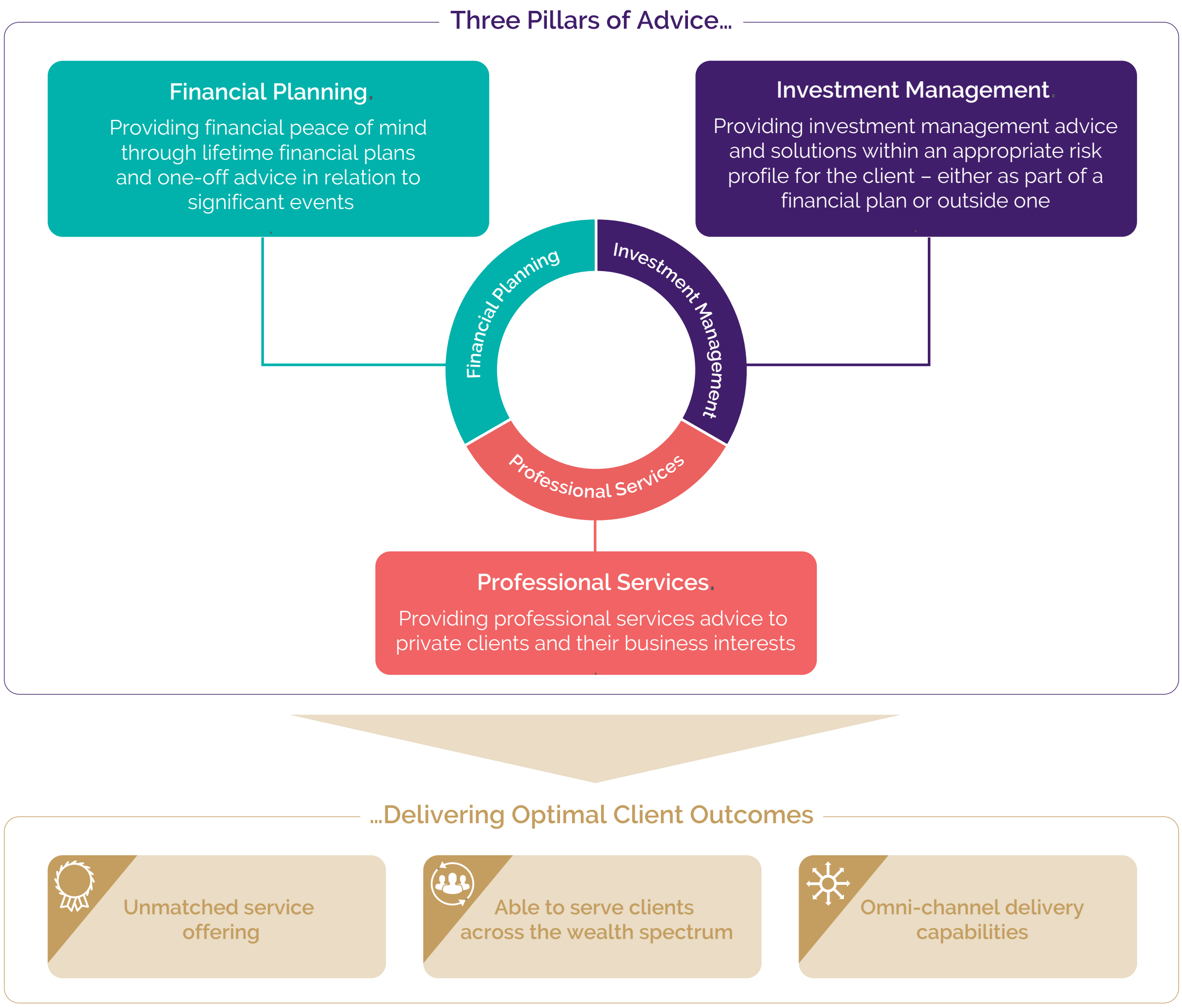
By becoming one firm under a unified brand, we now offer all of our clients the best of both worlds from the two previous businesses. This includes a joined- up wealth management approach spanning financial planning, investment management and tax advice, alongside an extensive range of professional services focused primarily on supporting entrepreneurs and family-owned businesses. As a combined business, our ability to support clients with advice on their personal wealth and business interests is unrivalled in the UK.

Clients now have access to greater specialist expertise, and we can support them from an extensive network of offices in 29 towns and cities.

The move to a unified brand confidently expresses our unique differentiation in the marketplace and not only encapsulates the integrated nature of our service offering and shared purpose but will also lead to a stronger external profile and greater efficiencies, which will better support our growth aspirations.

We are a highly differentiated business, operating across wealth management and professional services.

Our strength is rooted in the depth of our expertise across multiple disciplines and our ability to assemble a team of experts to support our clients, including financial planning, investment management, tax advice and a wide range of business services.



Source: Evelyn Partners Annual Report 2023

Purpose

We recognise that life is full of decisions that shape the future of what matters to our clients, be they private individuals or businesses. Great decisions require as much certainty as possible; the kind of certainty that comes from good advice. Good advice is powerful as it allows people and businesses to flourish in the present, knowing that tomorrow is being taken care of. We also believe that more people and businesses should have access to good advice, regardless of whether they have very substantial or modest financial resources. Our purpose is therefore 'to place the power of good advice into more hands'. It is at the heart of everything we do. We are committed to being an active, key voice for raising the standards and reach of advice.

In pursuing our purpose, we have three core values:

Personal: We treat you as an individual

Advice that is delivered by people who really understand what matters to our clients.

We welcome client portfolios of any size thanks to the breadth of our offering — from online investing to bespoke portfolio management. Our charity and not-for-profit clients range from small family established endowments through to large complex operational charities. Our business clients range from small entrepreneurs to scale-ups and multi-million-pound revenue companies.

Partnership: We go further together

Working with our clients in a joined-up, collaborative way.

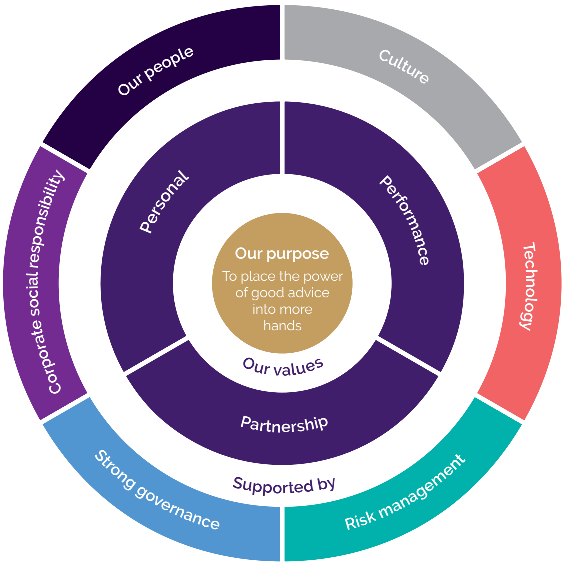
We are one of the UK's leading integrated wealth management and professional services groups, so we can look after our clients' combined wealth and tax needs, personal and business. We are a committed corporate responsibility partner, looking for ways to positively influence the communities we work in.

Performance: We strive for more

With breadth and depth of advice expertise, and strong investment performance.

We are ambitious for our clients and for ourselves, so we aim to be a forward-thinking and innovative business that leads the way in the industry.

These values are the foundation for both our service promise and of our workplace culture. In seeking to deliver our purpose, and the values which underpin it, our business is supported by several key pillars that work together: the quality of our people, our culture, a first-class technology platform, robust risk management, a strong governance framework and a commitment to corporate social responsibility.



Source: Evelyn Partners Annual Report 2023

Strategy

Both businesses and individuals are facing increased complexity in their financial affairs because of changes to taxation, the evolving regulatory environment and an ever-expanding range of investment solutions.

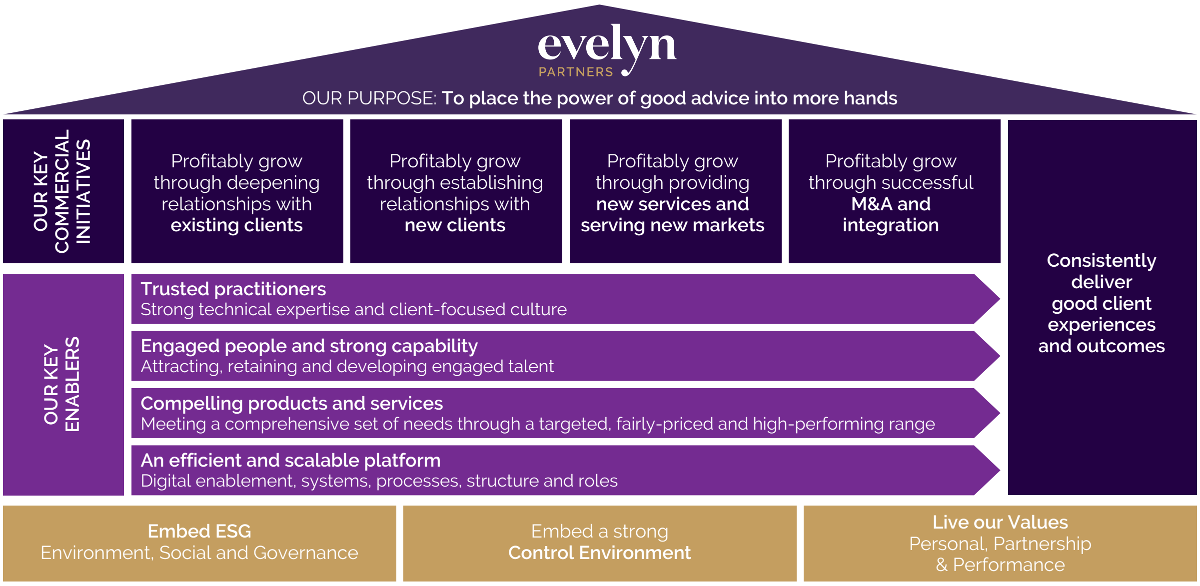
In response, we have embedded a collaborative approach across our wealth management and professional services teams to support clients with a holistic, tailored and joined-up service that caters to their needs – both for their personal finances and in relation to their business interests.

Our strategic focus is to profitably grow the business by deepening relationships with existing clients, establishing relationships with new clients, launching new services and entering new markets, and through successful and well-integrated Mergers and Acquisitions (M&A).

Across all growth initiatives, delivering consistently good client experience and outcomes is of paramount importance.

Our success in these areas of commercial focus is reliant on the quality of our people, compelling products and services and ensuring we have an efficient and scalable platform that both enhances client experience and improves productivity. We will therefore continue to invest in attracting, retaining, and developing talent, service innovations and the digitalisation of the business.

Our strategic initiatives are summarised below.



UN PRI and UK Stewardship Code commitment

We remain committed to the UN Principles for Responsible Investment (UN PRI) and believe that integrating responsible investment (i.e. the combined activities of Environmental, Social and Governance (ESG) integration and active stewardship) strengthens our internal processes. We also believe that this is at the forefront of our fiduciary duty to our clients. We are committed to the principles of the UK Stewardship Code and our ongoing efforts to satisfy the requirements of continuous improvement to elevate our client offering.

As responsible investors, we are engaged in the stewardship of the businesses in which we invest. We use our influence to improve ESG practices and performance in investee companies and by collective investment managers. We do this by engaging (directly and collaboratively) where we have material shareholdings and by voting at shareholder meetings. As good stewards of our clients' capital, we seek to encourage better business practices, which will both enhance value and reduce potential risks as well as increasing the holding of investments related to the environment and wider society that have a positive impact. When investing in third-party funds (also known as collective investments), we work to choose those with the same commitment and approach to stewardship as Evelyn Partners.

Responsible investment (RI) is an important principle for the Group and plays a vital part in setting an agenda which considers ESG impact, policies, measures and metrics. Non-financial factors can have a significant impact on the long-term financial performance and risk profile of investments, both positively and negatively, therefore we have integrated consideration of these factors as a core component of our investment approach.

We believe that companies with high standards of governance and corporate behaviours, resilient business models and which make a positive contribution to the communities they serve and operate within are less risky long-term investments. Please see the link to our responsible investing approach and policy on our website.

Culture

We are cognisant that our success as a business is based on the quality and commitment of our employees and partners and a strong, shared culture. Their continued development and our ability to attract and retain the best people is at the forefront of the people programmes we have in place and are enhancing. We strive to create a rewarding and fulfilling work environment, providing career development and training opportunities while promoting an appropriate work/life balance. The emphasis on our colleagues is evident in both our purpose and our strategy, with two of our four key enablers centred on our people.

We also have a strong sense of corporate responsibility, aiming to manage the impact of our business on people, suppliers, communities and the environment.

We seek to minimise our environmental footprint, provide a professional and supportive workplace for colleagues and attract, integrate and retain people from diverse backgrounds to deliver the best possible service to all our clients. Ultimately, we are working towards a more sustainable future.

Our corporate responsibility activities are divided into four underlying pillars, which are overseen by our Board ESG Committee:

Four Pillars of Corporate Responsibility

Pillar	Objective	Key highlights
Environment	We are committed to managing our business in a sustainable way to minimise our impact on the environment, both in our operations and through the value chain.	• We continue to select sustainable buildings; colleagues relocated to two further BREEAM 'Excellent' rated offices increasing the % space occupied in sustainable buildings to 41% (2022: 29%) by 55% of colleagues (2022: 45%) • We achieved a CDP rating of B (2022: 'C') • Our Scope 1, 2 and Scope 3 (limited) emissions were independently verified • We have partnered to implement an ESG risk assessment solution and launched supply-chain ESG questionnaires to 62% of supplier by value • We aim to improve the engagement and awareness of our colleagues through improved communication
Responsible investment	As responsible investors, we incorporate ESG factors alongside purely financial considerations in investment decisions and practise active ownership and stewardship.	• UN PRI and UK Stewardship Code 2020 commitments frame the Group's investment process, policies, and procedures • We engage with collaborative engagement platforms and we joined the Farm Animals Risks and Return Initiative (FAIRR) and Nature Action 100 in 2023 • The Group invested in a TCFD Enhanced Climate Metrics product in 2023 which will allow us to build on Climate Scenario Analysis (CSA) Systems • With added third-party research tools and databases, screening and sector specialists assisting in measuring ESG factors and sustainability risks, we have made strides in developing financed emissions metrics • We increased dedicated resources allocated to responsible investment with a Director of Responsible Investment to help further coordinate and champion our efforts
People	Our purpose and values support an inclusive culture from a diverse pool of talent. The people strategy focusses on four broad themes: • Culture • Inclusivity and diversity (I&D) • Wellbeing • Talent development	• Our Inclusivity and Diversity (I&D) networks hosted many events and were boosted by volunteers championing events at offices around the business • We issued our Women in Finance Charter Statement and our Gender Pay Gap Report • We are signatories of Inclusive Employers Standard (IES), The Business Disability Forum and Women in Finance Charter • We support colleagues' physical, mental, financial and social wellbeing and hosted an active programme of events • Our talented colleagues are offered career and personal development opportunities and have access to leadership and development programmes and resources
Charities and communities	As a Group, we wish to support our local communities. We have a wealth of talent and experience within our business and are keen to share this and encourage our colleagues to get involved in community projects and activities	• The Group's corporate charitable objective is to improve inclusion and diversity in financial and professional services • We donated £100,000 to Impetus, an organisation transforming the lives of young people from disadvantaged backgrounds, and continued to support Impetus charities through provision of pro-bono work and volunteering events • Local offices also organised and supported local community charities • We continue to provide colleague matched fundraising and top-up contributions through Give-As-You-Earn (GAYE) and via The Evelyn Partners Charitable Trust. Evelyn Partners made donations of £128,000 during the year • We participated in programmes which support the under-represented and under-privileged groups in society

Investment philosophy

We seek to preserve and grow the real value of each portfolio, for the lowest risk necessary to meet each client's specific objectives over the long term. We are patient investors.

Our investment philosophy rests on five fundamental principles:

1. Quality: we expect equities will be the main drivers of returns through time. We seek to invest in businesses able to grow revenue and compound returns over time, that are attractively valued with sound balance sheets and healthy cash flow generation, that consider material ESG factors and have a proven record of strong management and investment in their chosen strategy. We believe that these types of companies will outperform across the economic cycle and they represent the core of our portfolios. We adapt portfolios to reflect where we are in the investment cycle

2. Genuine diversification: however confident we are about the outlook, we maintain well diversified multi-asset portfolios. We want to preserve capital during unexpected shocks and to match each portfolio to the individuals' risk capacity and tolerance. We do this by constructing portfolios made up of different asset types, combining holdings with different economic exposures and avoiding investment in areas that are too risky

3. Liquidity: portfolios need to be flexible to be adaptable to changing economic and market conditions. Liquid assets can prevent active management and lead to unsuitable portfolios in 'risk-off' environments. We look to hold high quality investments which trade on large liquid markets. We regularly assess the liquidity of our portfolios, especially in the fixed interest and alternative sectors where liquidity is thinnest

4. Responsible: responsible investment involves considering ESG issues when making investment decisions, known as ESG integration, and influencing companies or assets, known as active ownership or stewardship. ESG issues and factors include amongst others those related to climate change, mitigation and adaptation, environmental management practices, duty of care, working and safety conditions, respect for human rights, anti-bribery and corruption practices, and compliance to relevant laws and regulations

We believe that an integrated approach to responsible investing leads to more resilient portfolios. As long-term investors we have always looked beyond the financial statements, incorporating material non-financial factors into our analysis. This, together with a strong commitment to active stewardship, is the basis of our responsible investment approach

Our voting process (see Principles 9 and 12) focuses on discretionary holdings which are on our direct equity MU, companies on our Alternative Investment Market (AIM) monitored list and situations where our materiality threshold is met (where we own more than 1% of the total issued share capital)

5. Integrated risk controls: we incorporate strong risk controls across every aspect of our management of our client's capital. In addition to the risk controls monitoring investment and operational risk, there are also strong risk controls covering administration

ESG risks to Evelyn Partners

Bindesh Savjani joined as Chief Risk Officer in the last quarter of 2023 and Group Risk and Compliance have taken the opportunity to review the Risk Management Framework (RMF).

In the last 12 months the Group has reduced the number of key risks, consolidating from 17 to 11 risks. This has provided a more rounded view of risks and reduced the complexity of reporting across the Group.

The Group monitors risks at three levels:

- Key risks
- Top risks
- Emerging risks

Key risks are challenged using scenario analysis and verified by a bottom-up risk assessment. Assessing each key risk and its potential impact to the business is a fundamental part of the RMF and is continually reviewed and developed.

Top risks are reviewed at the Group level and are being implemented at a business unit level where required. They are challenged by the Financial Services Executive Committee (FS Exco) and the Risk and Audit Committee (RAC).

The **emerging risk** radar is a forward-looking view to enable the Group to identify where future risk may arise and then take steps to mitigate and decrease the impact to the Group. It is currently reviewed at the Group level and is also used at business unit level where required.

Where in 2022 ESG was classified as a key risks in our RMF (part of 17 key risks), it was decided by the Group Risk and Compliance Committee (GRCC) and RAC that ESG would be embedded across the Group's key risks rather than being monitored as a key risk.

The Group continues to refine its approach to understanding the environmental impact of the corporate supply chain, understand portfolio level emissions data and consider how it interacts with the community and colleagues.

Our strategy as part of our focus on climate and our continuous development of our TCFD approach has been developed following identification of our climate-related risks and opportunities. Our assessment of the risks and opportunities included consideration of both the physical and transition risks associated with climate change.

Our first mandatory FCA TCFD entity report for the year end 31 December 2023 with additional information on our financed emissions can be found **here**, including details on scenario analysis and assessment of our climate-related risks and opportunities associated with our discretionary investments under management. The main climate risks and opportunities are identified in the table below.

Climate Risks and Opportunities

Risk category	Sub-category	Mitigating action/Management response
Physical risk		• Through scenario analysis, we assess our exposure to physical risks in our operations, considering the potential impact on buildings, data centres and colleagues • Our business continuity plans have been updated and we have invested in back-up plans, storage and enabled remote working • We have invested in tools to provide data on the climate-risks of products and to inform our investment strategy in 2024 and beyond • We have invested in tools to provide data on the climate-risks of suppliers to inform our supply-chain strategy in 2024 and beyond
Transition Risk	Technology	• Effective planning during implementation of new technologies and inclusion of projects in financial planning • Continued investment in expertise of new technologies to adapt to increasing regulatory, client and market requirements • Investment in digital technology to support hybrid working and to new products and services
Transition Risk	Market	• We offer clients the ability to diversify their investments over a wide range of sectors, asset classes and geographies and factor ESG and climate risk into our responsible investment approach • We have enhanced the data available to aid assessment of risks and opportunities for clients
Transition Risk	Reputation	• Changes in consumer preferences • Increased stakeholder concern or negative stakeholder feedback

Risk category	Sub-category	Mitigating action/Management response
Transition Risk	Resource efficiency	• Development of environmental policy to include resource use, waste, food, water etc. • Colleague climate engagement platform introduced to enhance knowledge and engagement • Introduced supplier ESG, including climate, questionnaires to improve sustainability risk assessments
Transition Risk	Energy source	• We are increasing the office space occupied by Building Research Establishment Environmental Assessment Method (BREEAM)-rated sustainable offices, where possible • Increasing energy from renewable sources supported by Renewable Energy Guarantees of Origin (REGO) and reducing the risk of long-term supply risk
Transition Risk	Products and services	• Offering of Sustainable Managed Portfolio Service (SMPS) and Evelyn Active Portfolios (EAP) Sustainable Portfolios • Offering tailored solutions to meet client sustainability requirements • Expansion of Professional Services solutions to support clients in their ESG journey
Transition Risk	Markets	• Offering of Sustainable Managed Portfolio Service (SMPS) and Evelyn Active Portfolios (EAP) Sustainable Portfolios • Evelyn Partners was awarded 'ESG Initiative of the Year' and 'International Discretionary Fund Manager of the Year' at the International Adviser Awards 2022 • New ESG and climate-related services available to our Professional Services clients
Transition Risk	Resilience	• Increasing energy from renewable sources supported by REGO • All management responses/actions covered within other risks and opportunity sections

Stewardship at Evelyn Partners

Why is Stewardship important to us?

The Financial Reporting Council defines stewardship as the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries, leading to benefits for the economy, environment and society. Stewardship allows non-financial issues to be considered alongside financial issues when building a portfolio so investors can be sure they're investing responsibly as well as profitably.

Stewardship encourages communication with wider stakeholders on the issues that matter to investors. This takes the form of informal discussions, as well as more formal voting and collaborative engagement, with the aim of improving ESG performance of companies. Whether it's voting in a certain manner or sharing information about regulations that could impact ESG goals, clear and direct communication helps shape policies in a way that encourages companies to maximise their long-term value.

We use a range of methods when putting our approach to investment stewardship into action, from taking an active part in company votes, to engaging with boards, or committing to Corporate Social Responsibility. When investing in third-party funds, we choose those with the same commitment and approach to stewardship as Evelyn Partners.

Clients

We take a proactive approach by listening to and understanding our clients' needs and ambitions, and monitor trust through a client care programme that combines both face-to-face and online interviews. This provides an independent and objective platform to capture insights that will enable us to deliver a consistently exceptional client experience. Results are analysed to identify areas for improvement.

The needs of clients are constantly evolving, particularly in the way they wish to interact with businesses. The COVID-19 pandemic rapidly accelerated the pace of change in this respect.

We monitor our external reputation through tracking media mentions and sentiment, social media listening and periodic brand health check research.

We have also developed an online portal and mobile application (App) which saw a significant increase in user numbers during the COVID-19 pandemic. This has multiple features including providing clients with access to valuations and analysis of their portfolios at their convenience as well as secure messaging. We are continuing to focus on the development of our digital portals to improve client experience.

We embraced the use of virtual meetings and webinars during the COVID-19 pandemic and are continuing to make use of these channels for engaging with clients, alongside offering face-to-face meetings, according to client preferences.

In the summer of 2023, we launched a new workplace financial wellbeing service called Evelyn Partners Moneyhealth. The new service provides the employees of organisations subscribing to it with a state-of-the-start digital platform and App which provides budgeting and financial health check tools, goal tracking and engaging content. They can also view their various accounts in one place through open banking. This digital platform is integrated with the ability to meet a qualified financial coach online four times a year and senior staff with more complex affairs can benefit from executive consulting with our financial planners and tax advisers.

We believe that by listening to our clients' experiences on how we are performing, and by understanding what they want and expect from Evelyn Partners – now and in the future – we can improve many aspects of our service that will bring real and tangible benefits.

Communities

As a Group, we enable our clients to invest responsibly, and we also adopt the same approach in supporting our local communities. We have a wealth of talent and experience within our business and are keen to share this with the community and enable our employees to gain further personal and professional development by being involved in community projects and activities.

As part of our inclusion and diversity strategy, we also participate in several programmes which support the under-represented and under-privileged groups in society. These include:

- The 'Girls Network', where some of our colleagues dedicate their time to mentoring young women
- We continued to support Impetus, in line with the three-year commitment made in 2021
- 'We Can Be' where we host workshops and events to help young women see the City as a viable career option
- We became sponsors of GAIN (Girls Are Investors), a programme which helps young women get into the investment management industry through education and internships

Performance

We are long-term investors. For some clients this can mean a multi-decade, multi-generational approach. For example, we manage investments for the sixth generation of our original investors.

Tilting portfolios towards positive long-term trends and away from the negative ones is a key part of our longer-term strategy. Regularly meeting and engaging with the companies and management teams we invest in has always been a core part of our disciplined investment process and fundamental to our approach to stewardship.

Stock picking, alongside asset allocation are core aspects of our investment approach. The importance we place in ESG factor integration and stewardship ultimately strengthens portfolio resilience for clients. Many of our investments are tax constrained, so good engagement with our underlying investees is key to meeting client objectives in order to preserve and grow capital in the long-term. Clients have had the opportunity to exclude companies and sectors from their portfolios using negative screening techniques or to tilt portfolios towards specific goals for over a decade.

We believe that our long term purpose of placing good advice into more hands requires us to be at the forefront of stewardship and ESG integration. We are proud of our culture and strong values which set us apart, that focus on our business, our people, our environment, our community and our customers. We are a diverse and inclusive business, proud of our clear culture, which unites all colleagues to deliver 'performance with principles'.

Development of our approach to responsible investment

Continuous improvement is about consistent progress and we are committed to implementing incremental changes to our existing responsible investment process, as our plans and timeline of events demonstrate below. Our progress over the last few years is all the more commendable in the context of the merger of Tilney and Smith & Williamson in 2020.

	2018-2020	2021	2022	2023	2024+
RI Strategy	• Provide Investment managers with ESG basic knowledge and data • Focus on RI integration for Direct investments	• Focus on RI integration into Collectives • Identify additional resources and how to embed RI in existing functions post Tilney/Smith & Williamson merger • Obtain board level mandate to invest in RI	• Build RI specialised skillset within investment management • Build RI data capabilities • Build upon RI knowledge within investment management • Consolidate RI integration processes for directs and Collectives • Define a strategic plan for RI • SFDR integration	• Climate focus and integration of TCFD historical metrics in the RI investment process • Deploy proprietary tool and training of FS • Define long term RI data and system needs	• RI priorities • Consolidate climate focus with scenario analysis integration in investment process • SDR integration • Implement strategic RI data and systems as part of group wide project
Engagements	• Investor Forum (2019/2020 Smith & Williamson) • Climate Action 100+(2020 Smith& Williamson)	• Investor Forum • Climate Action 100+ • Find it, Fix it, Prevent it	• Investor Forum • Climate Action 100+ • Find it, Fix it, Prevent it • Corporate Mental Health Benchmark • Seasonal Workers Scheme	• Investor Forum • Climate Action 100+ • Find it, Fix it, Prevent it • Corporate Mental Health Benchmark • Seasonal Workers Scheme • Nature 100+ signatories • SBTi targeted engagement carbon intensive sectors • FAIRR	• Investor Forum • Climate Action 100+ • Find it, Fix it, Prevent it • Corporate Mental Health Benchmark • Seasonal Workers Scheme • Nature 100+ signatories • SBTi targeted engagement carbon intensive sectors • FAIRR • RI priorities/thematic engagement
Disclosures (year reported on)	• UK Stewardship Code (Smith & Williamson) • UN PRI (2019/2020 Smith & Williamson)	• UK Stewardship Code (Evelyn Partners • UN PRI (on hold)	• UK Stewardship Code (Evelyn Partners) • UN PRI (Evelyn Partners) • CDP (Evelyn) Partners) • TCFD (Evelyn Partners voluntary)	• UN PRI • UK Stewardship Code • CDP • TCFD (voluntary)	• UN PRI • UK Stewardship Code • CDP • TCFD (mandatory)
Voting	• Voting (Smith & Williamson)	• Integrate Tilney & Smith & Williamson voting process		• Additional Glass Lewis policies (ESG & Climate)	• Embed additional policies in investment process
RI in investment strategy		• COP 26 coverage	• Strategic Megatrends	• Megatrend integration in research process • Increased article coverage	• RI in asset allocation
RI integration	• Direct investments: ESG material risk • RI policy	• Collective investments: Green Tick* process • Sustainability Disclosure statement – integration of ESG/ Sustainability risks	Directs: • SFDR PAI reporting Collectives: • Green Tick* implementation • launch of Door platform and DDQ • SFDR PAI reporting	Directs: • review of material risk process • Review of RI sector analysis and documentation, SFDR & TCFD integration • RI integration in AIM Collectives: • Review and renaming of Green Tick process (EEIDD) • Review of RI sector analysis and documentation, SFDR & TCFD integration • Review of Door questionnaire	Directs: • Integration of climate data (forward looking) • Focus on RI priorities Collectives: • Integration of climate data (forward looking) • EEIDD process extension • Focus on RI priorities • UK FCA SDR labels Other: • RI priorities – data integration and enhanced look through capabilities; further consideration of forward-looking climate metrics
Training		• ESG training Phase 1	• ESG training Phase 2	• SFDR & TCFD training • Training onboarding proprietary system	• RI Roadshow, RI priorities and review of our commercial proposition • Extension of RI Analyst role • UK SDR training – anti-greenwashing rule, fund labels
Resources		• Graduate ESG program starts • Green Finance Director	• RI project manager • RI data analyst • RI business analyst	• Direct or of RI – commercial proposition	• RI data manager • RI data analyst • Sustainability specialist
Systems & Data	• Vigeo Eiris • MSCI ESG Manager	MSCI ESG Manager	• MSCI ESG Manager	• MSCI ESG Manager • MSCI Climate Lab Enterprise and Managed Services	• MSCI ESG Manager • MSCI Climate Lab Enterprise and Managed Services • Strategic risk and ESG systems implementation (Aladdin)
Products	• Sustainable Managed Portfolio Service • Sustainable EAP	• SFDR Art 8 disclosures for Sustainable EAP • Sustainable Adventurous Portfolio	• ESG initiative of the year • International Discretionary Fund Manager of the Year		• Relaunch of sustainable MPS for internal advisers and investment managers
Clients	• RI conference	• RI conference • ESG Survey	• RI investment management survey • MiFid II Client Preferences (Ireland)	• RI investment management survey	• RI investment management survey • RI conferences • Increased RI coverage in the press
Assurance			• RI audit – Stewardship • RI audit – SFDR change		• RI internal audit (2024)
Industry Engagement		• Input into TISA guidance for Responsible & Sustainable Investing Good Practice (EU SFDR)	• Members of TISA RI & Sustainability Committee, and PIMFA Sustainable working group; IA SFDR forum • Contributions to PIMFA letter on FCA SDR consultation • Contribution to Transition Plan Taskforce call for evidence on transition plans	• Investment Association forums on SFDR, TCFD, net zero and SDR in 2023 • Director of Stewardship and Engagement is also a member of the IA Stewardship Reporting working group and the IA Voting Reporting working group • Regulatory consultations: Evelyn Partners response to FCA SDR; input into PIMFA/IA/TISA SDR and other regulatory responses • Wealth manager roundtables: PIMFA, EY, Cazenove	• FCA consultation – extension of SDR for portfolio management – Evelyn Partners response, input into IA, PIMFA and TISA responses

* Now renamed as Enhanced ESG integration Due Diligence process (EEIDD)

Principle 2

Signatories' governance, resources and incentives support stewardship.

Overview

Board

The role of the Board is to establish a clear strategy for the Group, to determine a risk appetite to support that strategy and to oversee an effective risk control framework. Our stakeholders are our clients, regulators and the governments of the countries in which we operate, our shareholders, our colleagues, our suppliers and counterparties, the society and communities in which we operate.

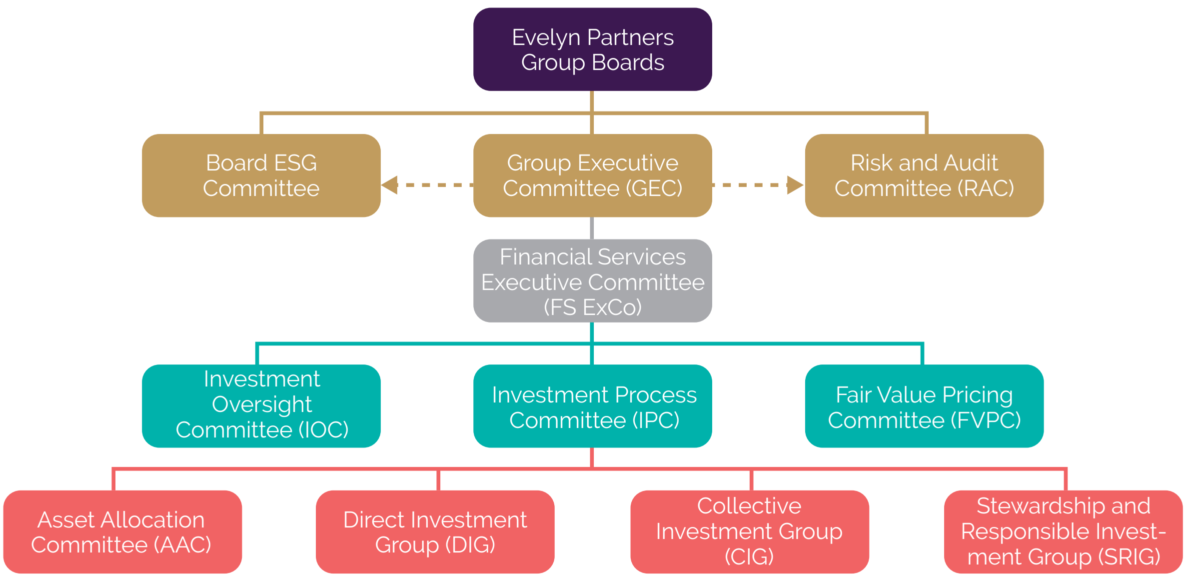
The Board manages the affairs of the Group and its subsidiary companies for the benefit of all stakeholders. This is achieved by:

- Developing a business model and practices that are designed to maintain and enhance market integrity
- Encouraging a culture whereby long-term relationships are fostered with clients, suppliers and colleagues, who are treated fairly and are content with the service that they receive/provide
- Developing services and products designed for positive client outcomes that are attractive and provide fair treatment for both existing and new clients
- Establishing relevant and supportive relationships with our local communities
- Developing practices which promote the interests of clients and mitigate the risk of reputational damage or financial loss in respect of the Group's assets, or the assets that it manages or controls on behalf of clients
- Maintaining policies such as those relating to conflicts of interest and tax avoidance
- Developing policies to ensure diversity and inclusion, fair remuneration and address modern slavery to affirm the Group's commitment to fair and ethical engagement with all its stakeholders

Our Board recognises the importance of good corporate governance and strives to ensure that the Group's governance arrangements deliver a well-run business. Clients should be at the heart of the business which realises its responsibilities not only towards shareholders but also other stakeholders such as employees, the wider market and society.

As an unquoted company, we are not required to comply with the Financial Reporting Council's (FRC) 2018 UK Corporate Governance Code. We therefore follow the Wates Corporate Governance Principles (published by the FRC in December 2018), which provide a framework to help large unlisted private companies meet legal requirements while promoting long term success. In 2023, under the Companies (Miscellaneous Reporting) Regulations 2018, the Company has applied the Wates Principles as the standard against which we measure ourselves. The Board believes that the Company already complies with best practice and with the spirit of the Wates Principles and has applied them throughout the year.

Simplified Organisational Structure



ESG Governance and Resources

The Board ESG Committee meets quarterly to discuss strategy and progress, while delegating the day-to-day management of its corporate responsibility to the Group Executive Committee (GEC).

The GEC is responsible for setting and monitoring the Group's approach to the corporate responsibility strategy and for implementing the ESG strategy of the Group. The risk management framework sets the oversight requirements and supports our corporate responsibility strategy. The ESG strategy informs the relevant policy, which sets out our approach to each element of ESG and how it is considered both operationally and within the value chain, our suppliers, employees, clients, investees and shareholders.

ESG measures are included in Key Performance Indicator (KPIs) for our GEC members. Achievement of and progress towards these KPIs are reviewed annually and assessed as part of annual performance reviews. The outcome of these performance reviews impacts the variable pay awarded to GEC members.

The GEC activities are coordinated by its Chair and divided into four pillars of corporate social responsibility. Each pillar's strategy is considered across the entire business and assesses the impact on key stakeholders.

The GEC sponsors of each pillar during the year were:

John Erskine
Chief Investment Management Director

Responsible Investment: Focused on our investment clients with the aim for Evelyn Partners to be the leading responsible investment wealth manager in the UK; represents all things related to the stewardship and responsible investment process inputs/outputs which is overseen day to day by the Investment Process Committee (IPC). Prior to this, John headed the investment management team in the Bristol office and was the Regional Head of private clients, responsible for developing business across six offices. He also has a special interest in charity fund management and has looked after some of the most significant Bristol-based charities for more than 20 years.

Andrew Baddeley
Group CFO

Environment: includes waste (paper, recycling, plastics, water, biodiversity and deforestation), energy efficiency & carbon reporting (scope 1-3) and striving to achieve the relevant 17 UN Sustainable Development Goals applicable to Evelyn Partners' corporate activities. He joined Tilney in 2018 from TP ICAP plc, an inter-dealer broker listed on the London Stock Exchange, where he was Group Chief Financial Officer. Andrew is a Fellow of the Institute of Chartered Accountants in England and Wales and is a Chartered Tax Adviser.

Chris Kenny*
Chief Investment Management Director (from January 2024)

Responsible Investment: Chris is Chief Investment Management Director, a member of the Group Executive Committee and the Financial Services Executive Committee. He is responsible for leading our Investment Management business, including our investment process, client service and engagement with intermediaries. Chris has developed a successful career as an investment manager, working with private client families and their advisers in the UK and internationally. He is a Fellow of the Chartered Institute for Securities & Investment.

Benne Peto
Group People Officer

People: includes employee engagement and wellbeing, and diversity and inclusion. She joined in 2019 from Cabot Credit Management Group (CCM), a consumer credit services company, where she was Group Chief Risk Officer. Benne has more than 10 years' experience in financial services, namely with CCM and Lloyds Banking Group. She has also held numerous senior HR positions in retail including at the Kingfisher Group and has been a management consultant with Accenture. Benne is a Chartered Member of the Chartered Institute of Personnel Development (MCIPD).

Charlotte Davies
Group General Council

Communities & Charities; includes volunteering, charitable giving and support for local communities. In addition, Group Audit have responsibility for reporting, internal assurance and controls. The Board sub-committee Risk and Audit Committee (RAC), which is chaired by the senior Non-Executive Director, provides overall oversight of all these aspects including ensuring the function has the appropriate resources and access to information.

* In January 2024 Chris Kenny, Chief Investment Management Director, replaced John Erskine as the responsible investment pillar lead.

Non-Executive Committees

Risk and Audit Committee (RAC)

The Board Risk and Audit Committee has oversight of Risk and Compliance and is supported by the GEC. The RAC monitors the risk management framework to ensure that adequate systems and controls are in place and that the businesses operate in accordance with all relevant legal and regulatory requirements. It also ensures the management of key risks against risk appetite and reports on deviations and material issues across the Group. The Chair of the Risk and Audit Committee is responsible for the internal audit function and is supported by the Group Chief Risk Officer.

The main functions of the RAC are:

- Advising the Group Boards on the Group's risk profile and overall risk appetite in setting its future strategy
- Receiving updates on the Group's engagement with its regulators alongside regular reports on compliance with regulatory requirements, consideration of forthcoming regulatory developments and the Group's participation in consultations
- Reviewing audit reports from a rolling programme of work
- Overseeing and advising the Group Boards on the embedding of an appropriate risk management culture throughout the Group to ensure effective accountability, responsibility and, where appropriate, delegation of risk controls and the adequacy of the associated management information, both qualitative and quantitative
- Overseeing the investment risk management framework, including the governance of investment risk
- Receiving appropriate management information on investment risk and outcome for clients
- Reviewing the Consumer Duty dashboard and consider reports related to Consumer Duty requirements and approve the annual Consumer Duty report ahead of disclosure to the Group Boards
- Approving any new risk management policies or material changes to those policies prepared by the Chief Risk Officer and recommended by the GEC and monitor the effectiveness of and compliance with such policies

Board ESG Committee

Chris Grigg, Chair of both the Board and the Board ESG Committee, has responsibility for Board oversight of corporate social responsibility. The Board ESG Committee is comprised of Non-Executive Directors. The inaugural meeting took place in March 2023. Paul Geddes as Group Chief Executive Officer (formerly Chris Woodhouse) has ultimate executive responsibility for corporate social responsibility. During the year, ESG activities were reported to the Board ESG Committee and the GEC on a quarterly basis by the pillar leads.

The committee is responsible for independently reviewing management's actions for and on behalf of, and assisting, the Group Boards in:

- Promoting the long-term success of the business in relation to ESG matters
- Embedding the corporate culture and values across the Group and to every aspect of the business ensuring they are aligned with the Group ESG commitment
- Overseeing the development of the Group ESG strategy and monitoring its performance in relation to ESG matters by ensuring that the right ESG strategies, supporting framework, policies and action plans are in place to meet the Group's desired goals and monitor progress against those goals
- Advising the Group Boards on the effectiveness of the Group's ESG strategy, clarity of its purpose, the application of its values and its management of ESG risks and opportunities
- Ensuring that the Group agrees, implements, communicates, and reviews strategy on key ESG issues, risks and opportunities
- Overseeing and monitoring the corporate reputation and engagement with stakeholders including, inter alia, employees, clients, suppliers, and communities in which the Group develops its activities
- Reporting to the Board on the social, environmental, sustainability. responsible and ethical behaviour aspects of the Company and its Group and the interests and expectations of their stakeholders

Executive Committees

Group Executive Committee (GEC)

The GEC is responsible for:

- Formulating the Group's objectives, strategy, and business plan, and recommending them to the Group Boards and Trust Co Boards for approval and overseeing the implementation of the Group's objectives, strategy and business plan together with embedding ESG at the heart of the Group
- Examining trade investments, disinvestments and major capital expenditure proposals and recommending to the Group Boards and Trust Co Boards any of those which are material by nature or cost or sustainability
- Reviewing the organisational and governance structure of the group and making recommendations for change
- Managing the businesses within the risk appetite set by the Group Boards and regularly reviewing the Group's material risks
- Monitoring the operational and financial performance of the business against budgets, objectives and key performance indicators
- Implementing appropriate remuneration structures within the business divisions
- Formulating plans, targets and review management's work carried out under four dedicated corporate responsibility pillars to implement Group ESG strategy and support developing a more sustainable business. Setting and monitoring KPIs for each Pillar
- Monitoring external developments including emerging ESG trends, risks and opportunities and best practices, regulatory requirements and recommend changes to the strategy to the Board ESG Committee as appropriate
- Considering system maturity and developing interim, short-term and long-term solutions to best deliver ESG expectations and meet regulatory requirements
- Review, challenge and approve key management policies, actions and plans, recommend board level policies, strategies and actions to the Board ESG Committee as appropriate
- Review stakeholders' engagements including communication plans and regulatory disclosures

Investment Management Committees

Financial Services Executive Committee (FS ExCo)

Effective November 2023 following a governance restructure, the functions of the GRCC and the Financial Services Risk, Oversight and Operations Committee (ROOC) were consolidated into the FS ExCo. The primary driver for this change was to get key business decisions made and implemented more efficiently.

FS ExCo is a sub-committee of the GEC which has appointed FS ExCo as the supervisory body to provide oversight of the day-to-day running of the financial services business including overall client outcomes, regulatory compliance, business development, growth strategy and profit and loss across the business.

The committee is responsible for the following in relation to the financial services business:

- Monitoring and ensuring the quality and delivery of client service outcomes and experience and making any changes or recommendations to GEC as appropriate to enhance the overall client outcomes
- Overseeing the implementation of the Group's objectives, strategy, and business plan and its compliance with the legal and regulatory framework
- Recommending to the GEC any propositions, business plans and strategies and making recommendations for change
- Managing, including considering any changes to, the operating framework
- Reviewing the organisation of businesses within the risk appetite set by the Boards and regularly reviewing the Group's material risks including any material escalations to Group Risk and GEC
- Approving the risk management policy and framework
- Receiving reports and recommendations regarding operational, regulatory, financial crime, client oversight, IT, data protection issues and emerging risks along with remedial actions and escalations to GEC as appropriate
- Actively managing the business within the risk appetite set by the Board and RAC and regularly reviewing material risks
- Approving relevant key policies which are specific to the scope of the Committee and making recommendations to the GEC/RAC as appropriate
- Monitoring the operational and financial performance against budgets, objectives, and key performance indicators

- Overseeing and appropriately resourcing the investment process and receiving recommendations from the Investment Process Committee (IPC) regarding any significant changes in the manner in which assets are managed by investment managers and financial planners in particular those that may impact the strategy of the Group
- Providing feedback as appropriate to the IPC on the investment process or any other aspect of its responsibilities

Investment Process Committee (IPC)

Day-to-day oversight of the investment processes is provided by IPC which consist of a group of senior investment management practitioners who are responsible for all of the Group's investment services and the allocation of resource to support them.

IPC has delegated day-to-day responsibility for matters related to responsible investment to the Stewardship & Responsible Investment Group (SRIG). Responsibility for direct investments falls to the Direct Investment Group (DIG) and collective investments to the Collective Investment Group (CIG).

The committee reports directly to FS ExCo on the following aspects:

- The ongoing suitability of the investment process to meet clients' requirements
- The sufficiency of resources (people, technology and data) and information to support investment managers in managing investment portfolios
- That regulatory requirements and best practice are being incorporated into the investment process
- An update on the budgetary position and any additional requirements

IPC is supported by and is ultimately responsible for the output of four main bodies:

- Asset Allocation Committee
- Direct Investment Group
- Collective Investment Group
- Stewardship & Responsible Investment Group

Stewardship & Responsible Investment Group (SRIG)

The IPC has appointed the SRIG to oversee the firm's requirements in relation to stewardship and responsible Investment.

The group is responsible for:

- Communicating stewardship and responsible investment activities, including any relevant regulatory changes and associated requirements, the Annual Stewardship & Responsible Investing report and internal and external briefings
- Integration of stewardship and responsible investment throughout the investment process, including providing or arranging any relevant training
- Identifying, assessing and responding appropriately to trends, risks and opportunities relating to climate change and other material environmental and social impact issues
- Ensuring our responsible investment process is aligned with client and business objectives
- Integrating responsible investment throughout the investment process to improve outcomes and fulfil relevant obligations
- Maintaining and updating all stewardship and responsible investment policies at least annually and communicating any relevant changes accordingly
- Ensuring third party service providers (such as MSCI and Glass Lewis) are fit for purpose and meet the requirements of the investment management business
- Timely and accurate submission of reports for the UN PRI, UK Stewardship Code, TCFD and CDP climate and sustainability-related disclosures
- Overseeing the voting and engagement processes

The SRIG meets monthly and reports monthly to IPC. There are working parties that meet covering special projects. The SRIG has a mix of experienced investment managers, the Director of Responsible Investment, the Director of the Stewardship & Responsible Investment (SRI) team, the Director of Green Finance, and the Head of Investment Risk.

Direct Investment Group (DIG)

The group is responsible for:

- Ensuring that the monitored universe of direct equities properly serves the requirements of investment managers across the business
- Monitoring the performance of the constituents of the direct investment Monitored Universe (MU)
- Monitoring the firm's level of exposure to the constituents of the MU
- Ensuring that research is of sufficient quality, is updated regularly and is in accordance with the Group's policies and procedures
- Ensuring that the output from the Group and sector specialists is appropriately disseminated across the different communication forums
- Supporting the wider investment process, including encouraging participation in it, and research
- Continuing the integration of responsible investment within the process for investing in direct securities, including responsible investment regulatory considerations and reporting any investment process update to IPC and SRIG
- Monitoring the technology and data (including 3rd party research) to ensure it is suitable to provide the most appropriate evaluation, selection, and monitoring of investment recommendations
- Monitoring and reviewing the process for investing in AIM securities, to ensure that it is sufficiently robust given the higher risk nature of the investable universe
- Monitoring and reviewing the process for investing in fixed income securities, to ensure that investment managers are provided with an adequate selection of direct bonds for consideration in portfolios

There are currently members of SRIG sitting on the DIG who filter matters of stewardship and responsible investment to the wider group. They also provide updates on voting, engagement, ESG training and any regulatory updates.

Collective Investment Group (CIG)

This group is responsible for:

- Ensuring that the collective investment MU properly serves the requirements of investment managers across the business
- Monitoring the performance of the constituents of the MU
- Monitoring the firm's level of exposure to the constituents of the MU
- Ensuring that research is of sufficient quality, is updated regularly and is in accordance with the Group's policies and procedures
- Approving additions to and removals from the "Top Picks" rating
- Ensuring that the output from the Group and analysts is appropriately communicated
- Supporting the wider investment process, including encouraging participation in it, and research
- Continuing the integration of responsible investment within the process for investing in collective securities, including responsible investment regulatory considerations and reporting any investment process updates to IPC and SRIG
- Ensuring the MU screening criteria are appropriate and ensuring that the methodology aligns with screening criteria used by financial planners

There are members of the SRIG sitting on the CIG. They are responsible for updating the group on all matters of stewardship and responsible investment, including due diligence, monitoring, engagement, voting on Investment Trusts, ESG training and any regulatory updates.

Resources

At Evelyn Partners we have seven dedicated responsible investment specialists in our SRI and RI Transition teams, with skills ranging from expertise in stewardship to climate, integration of ESG factors into the investment process, regulatory compliance and change management. We also have several investment managers that specialise in ESG investing, including monitoring energy and transition collective investments and managers of our in-house sustainable investment funds and sustainable managed portfolio service.

The Stewardship & Responsible Investment (SRI) team

Responsible for all of the firm's stewardship activities, including the proxy voting process, collaborative engagements, and providing transparency on our activity.

The team is comprised of experienced voting and engagement specialists, including the Director of Stewardship & Responsible Investment, a senior SRI analyst and an SRI analyst.

The role sits within the front office where they can assist with queries, provide specialised training, run various reports and be the first point of contact for queries relating to stewardship and responsible investment. Support is also provided from members of the wider operational teams depending on needs and their specialism. This support includes corporate actions related data gathering and distribution, contract negotiation, regulatory insight/briefing, liaison with industry bodies and technology integration.

Lucy Ward
Director, Stewardship & Responsible Investment

Lucy has over 20 years of experience at Evelyn Partners, having joined in October 1999. Lucy manages the Stewardship & Responsible Investment team and oversees the UN PRI, stewardship activities including proxy voting and engagement.

Aimee Roche
Senior SRI Analyst

Aimee has been working at the company for over nine years. The majority of her work on the SRI Team focuses on stewardship, ESG screening, and UN PRI engagements. Aimee graduated from the University of East Anglia in Business Economics.

Roxanne Kore
SRI Analyst

Roxanne brings four years of expertise in governance and proxy voting, spanning roles in issuer service, corporate assistance and financial technology. She currently serves as a stewardship and responsible investment analyst.

As an inclusion champion at Evelyn Partner, Roxanne strives to create an environment that empowers individuals and diversity. Her background and interest for ESG principles make her a dedicated asset to driving responsible business practices.

The Responsible Investment Transition team

This team was formed in 2022 with three new hires to support the firm in responding to the structural market and regulatory changes arising from governmental plans to significantly reduce the amount of greenhouse gases produced by the UK economy and to quantify other externalities. As a discretionary investment manager, Evelyn Partners must quantify emissions arising from its client investment portfolios and demonstrate that it is considering the risks to those investments.

Both the UK and the EU have sustainability-related disclosure regimes that affect our pooled funds and our discretionary investment management business, both in the UK and Ireland.

The team is responsible for developing our systems and processes to enable Evelyn Partners to respond to those new business and regulatory requirements. The team works closely with investment managers to understand the wider context surrounding this data and with the SRI team to align our data with our approach to shareholder engagement.

Katrina Brown
Director, Responsible Investment

Katrina Brown joined in October 2023 as our new Director of Responsible Investment. On graduating from the University of Oxford in 1994, Katrina began her career at Morgan Grenfell Asset Management (later Deutsche Asset Management) where she was ultimately a Director of Global Equities. Katrina has pursued a consulting career since 2002 with a focus on charities and pension funds. This has allowed her to develop a specialism in responsible investment and, most recently, climate change. She has joined the team at Evelyn Partners which is focusing on the incorporation of ESG factors into the investment process. She is also developing our commercial proposition as well as ensuring that our responsible investment priorities are reflected in all of our activities.

James Doyle
Director, Green Finance

James joined in December 2020 and has been working in the finance industry for over 25 years. He is our ESG & Sustainable Finance regulatory lead within the Investment Management front office and Responsible Investment Transition team, responsible for interpreting and assisting with the implementation of EU/UK sustainable finance regulatory changes, including TCFD, SFDR and SDR. James is a Chartered Fellow of the Chartered Institute for Securities & Investment (CISI) and also a CFA UK member and Sustainability Community Champion. James also holds the CFA UK Certificate in ESG Investing, and Certificate in Climate and Investing.

Hugo Watson Brown
Director, Financial Services

Hugo Watson Brown is a Director in the Financial Services division at Evelyn Partners. A chartered accountant by training with a specialism in tax, he spent 15 years at a boutique investment bank focusing on alternative investment strategies before working in the financial services consulting industry. He joined a predecessor firm in 2014 focusing on regulatory policy and has been working within the investment department since 2018. His current areas of focus are responsible investment, product governance and consumer duty.

Fabienne Enard
Senior Project Manager and Co-Chair of SRIG

Fabienne joined Evelyn Partners in 2022 to set up the RI Transition team. She has been working in financial services as operations or project manager for over 20 years. She started her journey on ESG working for a social impact fund in 2017 before working on the definition of the ESG strategy for a government agency. She is co-chair of the Stewardship and Responsible Investment Group (SRIG) with Richard Griffith since June 2023.

Soner Hasa
RI Data Manager

Soner Hasan joined Evelyn Partners in 2022 and has been working within ESG and responsible investment for 5 years. As part of the RI Transition team Soner is our RI Data Manager, responsible for ESG data and systems supporting our regulatory disclosures as well as integration of ESG data into the relevant areas of the investment process.

Joe Kavanagh
ESG Business Analyst

Joe joined Evelyn Partners in 2022 as a recent graduate from Trinity College Dublin where he wrote his dissertation on ESG investing. As part of the RI Transition team, Joe is responsible for assisting in the implementation of ESG data into the investment process and carrying out training sessions on the latest regulatory developments; namely TCFD and SFDR.

ESG specialists

We also have investment managers that are ESG specialists embedded within the investment management teams. They provide additional support to the wider front office with ESG integration, thematic investing and client communication. They also provide further ESG training for all our investment professionals, to ensure a consistent level of knowledge and understanding.

A few of our ESG specialists are highlighted below:

Philippa Douglas
Assistant Manager, Responsible Collective Sector Specialist

Pippa joined Evelyn Partners in 2019. She is a member of the Responsible collectives team, leading coverage of Environmental strategies, and is a sector specialist covering Health Care and Technology companies. She is co-manager of the Sustainable Central Investment Propositions (Sustainable Evelyn Active Portfolios and Sustainable Managed Portfolio Service), and the Sustainable Managed Portfolio Service. Pippa holds the CISI Masters in Wealth Management, the CFA Certificate in ESG Investing, the CFA UK Certificate in Climate and Investing and an MSc (with Merit) in Investment Management from Bayes Business School, having graduated with a BA (Hons) in English Literature from UCL.

Genevra Banksy von Ambroz
Partner, Investment Management

Genevra focuses on the management of multi-asset fund-of-fund solutions and funds research. She is Lead Manager of the Sustainable Central Investment Propositions (Sustainable Evelyn Active Portfolios and Sustainable Managed Portfolio Service), and co-manager of the Active Managed Portfolio Service and Defensive Growth Fund. Genevra joined Evelyn Partners, then Smith & Williamson Investment Management, in September 2008. She became a member of the Multi-Asset team in January 2010, and has since been involved in managing multi-asset fund-of-funds and funds research, with a particular focus on investment companies. Genevra holds the CFA UK Certificate in ESG Investing, Certificate in Climate and Investing, and Certificate in Impact Investing.

Nick Murphy
Head of Charities

Nick has over 34 years of investment experience, including working for two family offices and as an investment analyst. He is a specialist in managing money for larger and more complex client mandates. Nick is a member of the Investment Process Committee, the Asset Allocation Group and chaired the Stewardship and Responsible Investment Group until June 2023. He writes and presents widely, typically on charity and responsible investment matters.

Richard Griffith
Partner and Co-Chair of SRIG

Richard has over 17 years investment management experience and manages portfolios for several charity clients. He is co-chair of the Stewardship and Responsible Investment Group (SRIG) since June 2023. He graduated from the University of Edinburgh in 2000. He is a Member of the Chartered Institute for Securities & Investment.

Service providers

Our key service providers which support the SRI, RI teams and investment managers are outlined in the table below.

Key Service Providers

	Provider	Service Provided	Additional Information	Training
Core Wealth System	Avaloq	Investment Management and administrative systems		Ad-hoc training is available upon request
	X-Plan			
ESG Ratings Provider	MSCI ESG Manager	ESG rating, controversies, ESG company and industry research,carbon data, webinars,portfolio reporting on ESG , impact, and carbon	MSCI ESG Manager provides initial company and fund screening, as well as detailed reporting for our clients. We supplement their work with that of our own analysts. Consistency and interpretation of data across companies, sectors, regions and data providers remain an issue, although one that we expect to be resolved over time. MSCI are developing new modules and adding new coverage which is gradually reducing gaps to coverage and meeting emerging needs	We hold various training sessions throughout the year on how to use ESG Manager and how to run the various reports. We also hold sessions with various MSCI sector specialists
Climate scenario analysis providers	MSCI Climate Lab Enterprise (CLE)	Analytics for climate risk management and scenario analysis across asset classes, issuers, portfolios and enterprises, forward-looking tools, including Implied Temperature Rise, to manage portfolios' pathways to net-zero	Climate Lab Enterprise provides institutional investors with the tools and services they need for net-zero alignment. It combines a comprehensive set of climate data and analytics with powerful forecasting tools to help investors measure, monitor and manage climate risk and the shift to sustainable growth consistently across companies, portfolios and enterprises	In 2023, we onboarded the RI Transition team and key sector specialists to use CLE for use in our central process for assessing climate risk scenarios
	Managed Reporting Services		Managed Reporting Services provides us with scalable TCFD reporting capabilities for our managed funds	We plan to address climate scenario analysis and related concepts in our 2024 RI training program
Proxy Voting	Glass Lewis	Proxy voting research platform for portfolio and company-wide reporting	Glass Lewis, our proxy service agent, provide proxy voting information which we adapt to our own voting policy. In addition, they allow us to track and report our activity at both a group and portfolio level. We have been working with Glass Lewis on leveraging the most meaningful data from their system to enable us to enhance our reporting capabilities	Training is available to anyone that uses the Glass Lewis platform ViewPoint. We are also planning on running some additional sessions with Glass Lewis specialists on various voting topics that may be useful to our specialists
	Broadridge	Proxy voting delivery	Broadridge supply the pipeline through which all our voting activity is directed and the controls to ensure we only vote what we should be	We have the ability to run reports through Broadridge's reporting tool ProxyEdge. This isn't something we have utilised yet, however, they have offered to provide training should we decide to use it
Data, News and Research	Morningstar	Data, news and research on funds, investment trusts and ETFs	Provide additional services and information to allow us to cross-check information	Ad-hoc training is available upon request
	Refinitiv	News, pricing data, investment analytics tool, including ESG		
	Bloomberg	Access to news, data and analytics		
	Sell-side research	A range of sell-side research used to augment and inform our own work	We buy-in a global range of high-quality sell-side research that provides valuable insight used to augment and inform the work of our in-house teams	

We have an internal investment platform from which our RI Hub is accessed. The RI Hub brings together all the responsible investment information available into one easy-to-navigate intranet area. For example, we share internal documents such as our ESG training material, meeting notes of webinars on sustainable investment topics, ESG research, user guides to our service providers, lists of proprietary ESG buy-lists for equities and funds. Our RI related policies are also stored there.

Our approach is to embed material ESG considerations into the investment and research process. The equities section of the investment platform therefore contains our MU on which our proprietary financial scores are displayed alongside MSCI ESG ratings, as well as individual MSCI ESG scores.

Training

Internal training opportunities

As part of our consideration of ESG factors in the investment process, we continue to ensure all investment managers/sector specialists are trained on relevant topics. We have completed two phases of our mandatory responsible investment training programme for all client-facing professionals in 2021 and 2022. The first phase consisted of a 30-minute online training programme, with the second phase being held over the course of two months with practitioners attending one and a half hour in-person training seminars. In total, we conducted over 12 in-person training sessions over this period. The Evelyn Partners Board and GEC members have also been trained as part of this Phase 2.

In 2023, as we further deployed our internal proprietary solution to investment managers, we have completed training sessions for all investment managers, sector specialist and fund managers. This was organized by stakeholder groups in order that we could address their specific needs and demonstrate the relevant sections of the RI Dashboard and regulations.

We also provided more specific training to sector specialists as part of our direct ESG material risk process review. This extended to practical sessions on how to prepare for the quarterly sector meetings and the required documentation.

Looking ahead, we do consider internal training as one of our main levers to ensure evolving RI concepts and practical guidance are provided to the various stakeholders across our investment management business. Our Director of RI is developing an update which will be delivered in person, allowing the maximum amount of interaction and contribution to our future strategy for practitioners. She will be visiting all of our main offices during the first half of 2024 as well as providing several options for investment managers in our key London location.

External training opportunities

We also undertake sector specific training each year with external MSCI sector specialists.

There is also many sell-side events and other training opportunities that are attended by the investment managers throughout the year.

We currently have 31 employees who have obtained the CFA UK Certificate in ESG Investing qualification, with increasing investment managers qualified or studying towards the CFA UK Certificate in Climate and Investing. A number of our investment managers also took part in the pilot for the new CFA Certificate in Impact Investing. Our investment managers and RI teams and typically members of the CFA and/or the Chartered Institute for Securities and Investment (CISI), and regularly attend regularly attend trade bodies industry forums for continual professional development (e.g the Investment Association).

Other activities

Investments in RI

Following our 2022 increased resources in the RI Transition team, we explained our vision for RI over the next few years in an internal business case. The resulting document highlighted investments needed to ensure continuous improvement and regulatory compliance for responsible investment especially with regards to our climate-related obligations and to provide relevant services for some of our clients. This resulted in the onboarding of a suite of climate-related datasets, systems and services in 2023, enabling us to conduct scenario analysis on our discretionary assets and managed funds.

This enabled us to strengthen our climate-related disclosures in line with the recommendations of the TCFD framework and we have provided our first mandatory FCA TCFD entity report for the year end 31 December 2023 – further information can be found <u>here</u>.

As 2022 was marked by successful development and initial release of our proprietary tool (RI Dashboard), which enabled us to aggregate principal adverse impacts (PAIs) indicators and historical climate data based on TCFD recommended metrics. Our focus in 2023 was to embed the data and concepts in the investment process and reporting, through training and guidance. We also increased the number of PAIs available to our colleagues with 9 additional PAIs.

Responsible Investment process (see further details under Principle 7).

Within the investment process, we focused on reviewing our core RI processes for Direct investments in the first half of 2023, resulting in a material risk review, templates and guidance as well as training being provided to sector leads.

The second half of 2023, and going into 2024, focused on reviewing and improving our Collectives RI processes with a number of improvements, including updating our previous Green Tick process and our Door DDQ questionnaire. Please refer to the Appendix for a full breakdown of our DOOR ESG question set and Enhanced ESG Integration Due Diligence assessment for collective funds.

We also extended our collaborative engagement activities (please see further details under Principle 10),

In 2023 we recruited our Director of RI, Katrina Brown, to support the investment managers in embedding RI further in the investment process, ensuring RI clients' needs were increasingly addressed and to review and re-define our commercial proposition in this area.

We continue to consider how we will integrate individual client sustainability preferences with appropriate systems. We commenced our journey on client preferences using our Irish subsidiary as a testing ground to develop a process for providing portfolios for clients seeking sustainability-related portfolios under EU rules. Developments in this area are likely to evolve over the coming years. The FCA's UK Sustainability Disclosure Requirements (SDR) for sustainability investment labels are being implemented during 2024 and 2025 for UK funds, and related work via the Advisers Sustainability Group announced by the FCA in January 2024 in conjunction with PIMFA (see here for more details) will have implications for our approach to RI and investment process.

MSCI Roadshow: April 2023

We attended a session run by MSCI on Bank Governance. The session looked at the current circumstances in the banking industry and outlined some of the corporate governance issues that investors may want to consider. We discussed assessing banks' risk oversight capabilities, assessing director expertise and Independent Directors.

Outcome: *Our understanding of corporate governance was improved by this session.*

Remuneration policy principles

In determining the Evelyn Partners remuneration policy, the Remuneration Committee takes into account all factors it deems necessary, including business plans/longer-term strategy and budgets, relevant legal and regulatory requirements and associated guidance. In addition it considers the risk and risk management implications of its decisions, including environmental, social and governance risk factors.

The overall objective of the Evelyn Partners remuneration policy is to ensure that executive management and their colleagues are provided with appropriate incentives to encourage enhanced performance and are rewarded for individual contributions to the success of the Evelyn Partners Group, in a fair and responsible manner and in line with market practice and business plans/longer term strategy at the relevant time.

The main remuneration components are fixed pay, variable pay and benefits.

Fixed pay

Fixed pay includes base salary and company funded/provided benefits (including pension contributions, income protection and life assurance). Fixed pay is determined by considering internal factors (the role a colleague carries out, affordability etc.) and the external market. Fixed pay is reviewed annually to determine if an increase is appropriate.

Variable pay

Variable pay is an important part of total compensation at Evelyn Partners. Variable pay takes into account the performance of the business and an individual's performance against their annual KPIs and other performance-related factors. The KPIs and other performance factors will consider financial and non-financial KPIs, behaviours (including adherence to the Evelyn Partners company values), and appropriate performance against a range of risk and compliance measures.

Variable pay awards are made from a bonus pool which is determined annually based on company performance. All variable pay awards are discretionary.

Risk and conduct in remuneration

Risk management is at the heart of how all colleagues are remunerated at Evelyn Partners, particularly when considering variable pay structures.

All key remuneration decisions are subject to approval by the Remuneration Committee. In discharging its responsibilities under its terms of reference, the Remuneration Committee and the Group Chief People Officer work with the Chief Risk Officer & Group Head of Compliance to ensure that risk factors are properly considered in setting the overall remuneration for the Evelyn Partners Group, and in particularly the incentive structures for the Executive Directors, Senior Management and other key professionals, as appropriate.

The Chief Risk Officer provides an annual report on bonus risk adjustment considerations and makes recommendations to the Remuneration Committee on whether adjustments to bonus pools should be made.

Bonus plans have non-financial KPIs within them, which consider the behaviours and client focus (amongst other criteria) of a colleague in determining a bonus payment. All colleagues are also subject to a risk, control and conduct review as part of their annual appraisal, which determines the percentage of any bonus awards made. This review considers amongst other things, the completion of all mandatory training, compliance with all policies and procedures, and in the case of practitioners, client specific metrics.

If the high expected standards across the risk, control and conduct review are not met, a reduction (including to £0) or a deferral can be made to the bonus payment.

Evelyn Partners remuneration policy takes into account sustainability-related disclosures in the financial services sector. The policy is consistent with Evelyn Partners approach to the integration and management of sustainability risks in its investment process. Relevant feedback, including non-financial criteria, is provided to the Remuneration Committee for consideration in the assessment of variable remuneration. This includes whether the investment process has been followed with regard to matters such as asset allocation, security selection, responsible investment and investment risk management, including sustainability risks.

Inclusion and diversity (I&D)

We recognise our responsibility to be an inclusive employer as well as the value that diversity brings in strengthening our ability to achieve our goals.

Our inclusive culture aims to ensure that colleagues of all backgrounds, life experiences, preferences and beliefs are respected and valued as individuals, are treated equitably and respectfully and that colleagues have a sense of belonging and security and are free to speak up. We want colleagues to feel empowered, to have an equal opportunity to contribute to business success and to be their authentic selves.

Our I&D strategy is supported by the I&D Committee and the I&D networks which are:

- **Proud** – promotes LGBTQ+
- **Race, Religion and Ethnicity (RaRE) network** – discusses and celebrates diverse backgrounds, cultures and religions
- **Able** – a network for colleagues with disabilities and carers
- **Social Mobility** – aims to create a fairer, more equitable society for everyone
- **Gender Equality Network** – promotes gender equality and the rights of women and girls in all forms of diversity

In 2023, 24 volunteers were appointed as I&D champions to promote I&D within the different offices and teams across Evelyn Partners. We had regular I&D events throughout the year, championed by our networks. Some of the highlights were:

- A session on Intersectionality which almost 400 colleagues attended
- International Women's Day, when we were joined by Joy Burnford for a keynote speech on the importance of Allyship
- A neurodiversity webinar with a presentation by neurodiversity expert, Rachel Trimmer
- An "Ageism in the Workplace" webinar with guest speaker Ashton Applewhite
- A series of webinars for National Inclusion Week, which were available through Inclusive Employers
- International Men's Day, when GEN hosted a breakfast with Andy's Man Club, a charity focused on male suicide prevention
- A panel event which was held to mark World Menopause Day in November 2023 with a female and male panel

Inclusive Employer's Standard (IES)

The Inclusive Employer's Standard (IES) is an evidence-based workplace accreditation tool for inclusion and diversity. It provides a pan-industry externally recognized benchmark for inclusion. Evelyn Partners was awarded a BRONZE status under the IES in 2022. We await the outcome and feedback of the 2023 submission.

Business Disability Forum

We are members of the Business Disability Forum, a leading business membership organisation in disability inclusion. It works in partnership with business, government, and disabled people to remove barriers to inclusion. We continue to work towards becoming a Disability Smart Employer.

Women in Finance Charter

As supporters of the Women in Finance Charter pledge for gender balance in financial services, we seek to improve gender diversity in both Financial Services and Professional Services.

We are committed to working towards greater female representation (particularly at a senior level) within our industry. Our statement can be found on our website at evelyn.com within in the People section.

Gender diversity

We are making progress on improving gender diversity of the Board and senior management team and are committed to improving this within all levels of the organisation. The following table shows the gender mix of the Group:

Gender diversity 2022

Organisation level	Female		Male		Total
31 December 2022	No.	%	No.	%	No.
Board of Directors	3	27%	8	73%	11
Group Executive Committee	3	27%	8	73%	11
Senior management	33	24%	107	76%	140
All colleagues	**1,620**	**45%**	**1,980**	**55%**	**3,600**

Gender diversity 2023

Organisation level	Female		Male		Total
31 December 2023	No.	%	No.	%	No.
Board of Directors	3	27%	8	73%	11
Group Executive Committee	4	33%	8	67%	12
Senior management	30	25%	92	75%	122
All colleagues	**1,845**	**46%**	**2,201**	**54%**	**4,046**

Our Gender Pay Gap Report 2023, is available on our website using the following **link**.

We have highly talented women in leadership positions and are encouraged to see our mean and median pay and bonus gaps reducing and more women in the upper pay quartile.

As an employer, we are committed to reducing our gender pay gap and we continue to focus on ways to encourage and support the progression of women into senior roles through recruitment, promotions and mentoring.

Our first "Women in Leadership Series" roundtable events with guest speakers covered a range of leadership skills. The aim of the series is to bring together senior female leaders from across the business to network, discuss common issues and enhance their leadership skills with the tools and confidence to meet their ambitions. Following the success of the programme, a second group was invited to participate in the 2023-24 series.

Wellbeing

Our employees are our most valuable resource, and we wish to support and improve their wellbeing and positively impact organisational resilience. Our vision is to create an environment where our colleagues' wellbeing allows them to achieve their full potential for the benefit of themselves and for the business.

We aim to empower our colleagues to actively take responsibility for their wellbeing and provide the tools to support them, to help build resilience for them to thrive.

Our wellbeing strategy has been expanded to the four pillars of:

- Physical wellbeing
- Emotional wellbeing
- Financial wellbeing
- Social wellbeing

Physical wellbeing

Physical wellbeing covers a wide range of areas including exercise, diet, weight, dental health and sleep.

We continue to make available resources and information to support colleagues. We offer an employee assistance programme and family friendly policies. We offer a range of benefits including private medical and critical health cover.

In 2023, we invited back the British Heart Foundation to facilitate on-site health checks across the offices and over 1000 colleagues benefited from the health checks.

We supported World Menopause Day with a panel discussion about midlife hormonal changes in both women and men.

Emotional wellbeing

Emotional wellbeing (also often referred to as mental health) is influenced by our ability to cope with life events, manage emotions and foster positive relationships.

The most common mental health conditions are stress, anxiety, and depression. Encouraging conversations and reducing the stigma of mental health issues is a key theme of our emotional wellbeing strategy.

Our people have access to Peptalk a regular programme of talks relating to physical and mental wellbeing hosted by experts in each field. Recent topics have included "Whole body mental health". "Money Clinic", "Nutritional Clinic".

During 2023, we highlighted emotional wellbeing as part of Mental Health Awareness week. We facilitated in-person and dial-in seminars focused on anxiety. We supported nutrition education with a guest expert speaker highlighting the link between physical and mental health.

We commenced pilot training to educate and support managers about mental health issues.

Financial wellbeing

Financial wellbeing is about feeling secure in your financial present and future. People who experience positive financial wellbeing are generally less stressed. This has a favourable effect on mental and physical health.

Our approach to remuneration considers financial wellbeing.

At Evelyn Partners we are committed to being a "Living Wage" employer and to valuing and rewarding our colleagues fairly and equitably for their contribution. The Living Wage is an hourly minimum rate to cover the "real" cost of living.

During the year, we had well-attended webinars discussing a range of financial wellbeing topics including the importance of pensions in saving for the future.

We are developing a financial education and wellbeing programme to be launched to all colleagues in early 2024.

Social wellbeing

Social wellbeing is building and maintaining healthy relationships and having meaningful interactions with those around you. Within the workplace we wish to encourage a sense of social inclusion and social stability. Our charities and communities strategy supports the social wellbeing strategy.

Talent management and people development

Our clients rely on the expertise and judgement of our people. As such, the maintenance and development of expert level skills is an important aspect of our business.

We are committed to the education, recruitment and retention of a diverse workforce that reflects wider society, our client base and our inclusivity and diversity aims.

We invest in our people and value professional skills and achievement of qualifications. We participate in apprentice schemes and professional training schemes and support employee development by providing study leave, financial support for the achievement of technical examinations, and professional body membership. We offer professional training in several disciplines including accountancy, taxation, investment management and financial planning. Once qualified, our colleagues have access to regular external and internal professional development courses and technical updates for their areas of specialism.

Recruiting the best talent from a diverse pool of candidates is of paramount importance. Once recruited, all new colleagues experience a consistent core induction as we welcome new joiners and communicate our purpose and values. Face-to-face inductions for all early career programmes encourage a sense of "partnership".

All colleagues are offered career and personal development opportunities and have access to several development and leadership programmes such as:

- **Develop** – an online learning platform with over 5,000 materials related to personal and professional development topics including management, leadership, wellbeing, inclusion and diversity. Colleagues can tailor this learning to their personal objectives
- **Life Leader Programme** – the programme is delivered by expert coaches over an 8-week period and includes virtual live workshops and structured embedding and engagement exercises
- **Inspire** – an online leadership development pathway with The Institute of Leadership & Management (ILM) with 200 managers invited to participate annually, leading to an accreditation as a professional member of ILM
- **Executive Leadership** – an online community to engage and continue the "leadership conversation" and to learn from each other via our new "Let's Talk Leadership" Viva Engage page on our intranet

Policies

We maintain a sense of people policies including those which specifically support our corporate responsibility strategy as listed below.

- Equality, inclusion and diversity policy
- Board diversity policy
- Health and wellbeing policy including managing stress and the menopause
- Dignity at work policy
- Living wage policy
- Flexible working policy
- Recruitment policy
- Family leave policy

We review our policies annually

In 2023, we updated the family leave policy to enhance paternity leave. We also amended our flexible working policy to clarify our approach to hybrid working known as "Smart Working".

Looking ahead

In the coming year:

- We will continue to monitor colleague engagement, wellbeing, development and satisfaction by undertaking colleague Pulse surveys bi-annually. The insight this provides will continue to inform the people strategy
- We will remain committed to improving diversity within our organisation and industry, supported by our charities and communities agenda
- We will remain committed to reducing our Gender Pay Gap and supporting the progression of women into senior roles
- We will continue to develop a financial education and wellbeing programme to be launched to all colleagues in 2024
- We will continue to develop training to educate and support managers with managing mental health issues within their teams
- We are launching Pregnancy at Work online training modules for managers provided by Tommy's (Pregnancy charity)
- We will continue our work to create a new Management Development Programme to better equip colleagues to manage performance within their teams

Principle 3

Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

We define a conflict of interest as a situation that arises when our interests or the interests of a partner, director, or employee conflict with the duties it owes to a client; or the duties we owe to one client conflict with the duties we owe to another client. We take all reasonable steps to identify conflicts of interest arising and to manage potential conflicts in a way that is fair to our clients and in accordance with our written policy.

The following sections summarise our conflict of interest policy.

Purpose and scope

The purpose of our conflict of interest policy is to summarise the policies and procedures in place within the Group for identifying, minimising and managing conflicts of interest arising from the different business activities undertaken by these companies. The GEC is responsible for ensuring the effectiveness of the policy and procedures in relation to each of the operating subsidiaries of the Group. The Board is ultimately responsible.

The Group is required to:

- Take all appropriate steps to identify and to prevent or properly manage conflicts of interest, such as those between (i) the firm and its clients, and (ii) one client and another
- Maintain and operate effective organisational and administrative arrangements in order to take all appropriate steps to prevent conflicts from adversely damaging clients' interests. If the risk of a conflict of interest is so great that the conflict cannot be avoided or managed by a combination of these and/or other steps in such a way as to ensure the client's interest will not be adversely affected, then the firm will decline to act for that client
- Fairly disclose the general nature and/or source of the conflict to the client when the organisational and administrative arrangement in place are insufficient to ensure that clients' interests will not be adversely affected
- Keep records of the firm's services and activities where conflicts may arise or have arisen

Provide clients with a summary of the Conflicts Management Policy.

Ownership and governance

The board of directors of each firm within the Group is responsible for ensuring that each firm complies with all its obligations under the regulatory system, including its obligations to identify, manage and record conflicts of interest. This policy is owned by the RAC, which is responsible for approving the policy. The FS ExCo is responsible on a day-to-day basis for overseeing risk control matters for the UK businesses, including adopting and annually reviewing the Conflicts Management Policy and ensuring its effective implementation (including ensuring that compliance monitoring programmes cover these issues). This review should identify any deficiencies and the actions needed to ensure that appropriate measures are taken to address these. The FS ExCo should track the resolution of the issues identified and report material issues into the RAC.

Identifying conflicts of interest

We have several methods of identifying specific conflicts of interest, including:

- Checks within product development and change management processes
- Policies and procedures to identify personal account holdings by staff, receipts of gifts and entertainments and external business interests taking into account whether we, an associate or an employee:
  - has conflicting duties to act for clients on both sides of a transaction
  - is acting for a transaction in respect of which it holds relevant confidential information supplied by a current, past or prospective client on the other side of the transaction
  - holds unpublished price sensitive information about the issuer of securities held for clients through/acting in a transaction affecting the issuer
  - is likely to make a profit or avoid a loss at the expense of the client
  - has an interest in the outcome of a service provided to the client or of a transaction carried out on behalf of a client, which is distinct from the client's own interest in that outcome
  - has a financial or other incentive to favour the interest of another client or group of clients over the interests of the client
  - carries on the same business as the client

- receives or will receive from a person other than the client an inducement in relation to a service provided to the client, in the form of monies, goods or services, other than the standard fee or commission for that service
- is substantially involved in the management or development of insurance policies, in particular where such a person has an influence on the pricing of those policies or their distribution costs

Avoiding and managing conflicts of interest

We avoid and manage these conflicts through several policies and procedures. These include:

- **Maintaining a confidentiality policy:** all staff are required to maintain the confidentiality of client information. Such information must not be accessed or communicated except for legitimate business reasons
- **Restricting staff dealings in securities:** staff are required to adhere to our personal account dealing policy. This includes the use of 'Insider Lists' covering colleagues who have access to inside information. Relevant trading activity is monitored by Compliance
- **Restricting information flows:** we have physical and technical barriers in place, known as 'information barriers'. These prevent information held by other parts of the Evelyn Partners group, which could restrict dealing, from reaching our investment managers
- **Carrying out transactions in investments as agents not as principal:** we only carry out transactions in investments as agents for the client
- **Maintaining a gifts and entertainment policy:** we have a policy to ensure gifts and inducements received from or given to third parties by members of staff are declared, and pre-approved as appropriate
- **Maintaining appropriate and transparent charging policies**
- **Disclosing in accordance with market practice:** general potential conflicts inherent to the nature of our business and the structure of the market are disclosed in the written contracts concluded with clients
- **Obtaining clients' informed consent:** following disclosure of specific conflicts arising in particular transactions or situations, client consent is received before proceeding

Ownership structure

Evelyn Partners manages conflicts arising from its ownership structure. The substantial shareholders of the Group are Permira 56.4% and Warburg Pincus 24.8%. The balance of 18.8% is owned by current and former managers and staff. No third-party product provider or supplier has a material shareholding or financial interest in Evelyn Partners (or vice versa) such as to be able to influence Evelyn Partners operating decisions to the detriment of client interests.

Conflicts of interest register

The Compliance Department maintain a register of conflicts of interest. This specifies the underlying circumstances, the harm that might arise to customers, the colleagues involved, whether the conflict is actual or potential, the decision to manage or prevent the conflict and any disclosures made to clients.

Potential general conflicts embedded in the Group are included in the Conflicts Policy:

- Conflicts arising from ownership by Permira and/or Warburg Pincus
- Conflicts arising from Financial Planning/ Insurance Intermediation
- Conflicts arising from Investment Management Services
- Conflicts arising from Execution-Only/ Stockbroking Services
- Conflicts arising from Fund Management/ Administration
- Conflicts arising from Corporate Finance Activities
- Conflicts arising from ABS, Forensics, Insolvency, Tax and Transactions Services
- Conflicts arising from Trust Business

There is also a register maintained by Compliance for actual conflicts which have arisen.

Examples of potential conflicts in relation to stewardship:

- To support their portfolio companies, Permira or Warburg Pincus could ask Evelyn Partners to invest client monies in securities issued by a portfolio company or in funds managed by a portfolio company and seek to influence voting. Evelyn Partners has a documented investment process controlled by the Investment Process Committee, to ensure that investment recommendations and decisions are suitable for clients' individual objectives and circumstances and are not influenced by Permira or Warburg Pincus. This is monitored by the Investment Oversight Committee. Proxy voting is conducted according to our Stewardship Policy and actual voting intentions of the Sector Specialist are reviewed by an independent investment manager and the SRI team
- A firm could exercise voting rights in relation to discretionary client holdings to the detriment of the interests of particular client(s). This is managed by the Group exercising voting rights in accordance with the Stewardship Policy, each vote being cast in the best overall interests of clients. If this might prejudice the interests of a particular client (e.g., by voting the client off the company's board), the firm will cast the vote as considered appropriate for the overall interests of clients but will notify the particular client of the action being taken and the reasons

The SRI team also maintains a dedicated conflict of interest register for investment management clients who have senior management positions in investee companies. In such cases, the investment manager would be recused from the voting process.

Our risk department recorded six individual conflicts of interest in 2023.

- Four conflicts were added to our External Appointments log to be assessed as part of the annual External appointments review
- One conflict resulted in a review and update of the core compliance process and procedure
- Once conflict resulted in the individual in question removing themselves from certain discussion and decisions

We therefore did not identify any conflicts or potential conflicts in the reporting period that could not be managed in accordance with our policy.

You can find our updated 2024 conflict of interest policy on our website **here**.

Principle 4

Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

We consider that a flexible, multi-faceted approach is the best option to identify systemic risks whether financial or non-financial from an investment perspective. Our macroeconomic team serves as the primary influence, but we also use relevant industry bodies, new engagement collaborations, and analytical expertise to scan the horizon and ultimately act on these risks. We also draw upon our firm's risk management framework.

The Financial Stability Board (FSB) defines systemic risk as 'the risk of disruption to the flow of financial services that is caused by an impairment of all or parts of the financial system and has the potential to have serious negative consequences for the real economy'. ESG risks are environmental social and governance risks that, where material, can have a negative effect on an individual investment or more widely, stretching across borders and jurisdictions, as in the case of climate change.

The requirements for the FCA's Consumer Duty rules for open products and services has been delivered and implemented across the Group as of 31st July 2023 with the refinement of management information being the key driver of activity.

ESG considerations remain a key driver of activity with Board level focus and engagement on the key deliverables across a complex area which impacts the Group on multiple levels.

In the last 12 months the Group has reduced the number of key risks, consolidating from 17 to 11 risks. This has provided a more rounded view of risks and reduced the complexity of reporting across the Group.

With the joining of a new Chief Risk Officer in the last quarter of 2023. Group Risk and Compliance have taken the opportunity to review the Risk Management framework (RMF) and consider the way that Risk and Compliance operate and identify ways that improvements could be made to how the business is supported.

Managing risk to support our strategy

The purpose of risk management is to design and develop processes and tools that provide the ability for the Group to identify, assess, monitor and manage the key risks that are inherent in the Group's business activities, helping the Group to operate within the Board's strategic objectives and risk appetite. The risk management arrangements at Evelyn Partners form part of a strong governance culture. The Three Lines of Defence model is central to this culture. Primary responsibility for identifying and controlling risks rests with the Group's businesses (the first line of defence). Ultimate responsibility for ensuring the adequacy and effectiveness of risk management rests with the Board, with oversight provided by the RAC.

The Group has a Risk and Compliance function providing the second line of defence. It is led by the Group Chief Risk Officer who has an independent reporting line to the Chair of the RAC and a right of access to the Chair of the Board. The Group Chief Risk Officer is a member of the GEC and attends the RAC.

The third line of defence consists of the internal audit function, which provides assurance to senior management that business processes and controls are operating effectively. The internal audit function identifies any processes and control deficiencies and monitors remediation plans.

The risk management framework (RMF) is underpinned by policies, procedures, and reporting. The requirement to produce accurate and timely management information to meet the needs of the Group, continues to increase, as it seeks to deliver its strategic objectives. Over the last year, the Group has focused on enhancing reporting at Group and divisional level. It has also developed reporting of material events with the production of several deep dives. Strategically there has been a lot of focus on global events and changes to regulation. This has required risk management and compliance to conduct in depth reviews of the business through these lenses and understand how they will impact the Group. This has tested the awareness, implementation and effectiveness of the risk management framework.

Where risks fall outside of the Group's risk appetite, which is defined at both the operational resilience and business-as-usual threshold levels, 'path to green' actions are required. Actions are also required where remedial action is recognised in respect of any weaknesses identified in relation to mitigating controls.

Risk management framework

The objectives of the RMF are to:

- Facilitate risk-awareness across the Group
- Facilitate the effective identification, assessment, monitoring and management of risks
- Assist in preventing harm to clients, the business and the markets in which we operate

The RMF assists the organisation in the resilient provision of high-quality service to our clients and encourages the continuous improvement of the Group's processes and controls. It includes components that:

- establish methods for identifying and assessing risk
- provide an approach for the capture, reporting and monitoring of risk
- provide appropriate mechanisms for managing risk

Risk management methodology

The risk management methodology within the RMF consists of the following eight complementary tools:

1. **Materiality matrix** – reviewed every 12 months and derived from the Group's risk tolerances, it is central to the Group's ability to assess risk and the understanding of the impacts. The Materiality Matrix provides the ability for the Group to consistently assess and manage risks at both the business-as-usual and operational resilience threshold levels. Materiality is assessed across five impact dimensions: financial, operational, regulatory and legal, client and reputational
2. **Key risk assessment** – central to the risk management framework are the key risks, which are challenged using scenario analysis and verified by the bottom-up risk assessment. Assessing each key risk and its potential impact to the business is a fundamental part of the risk management framework and is continually reviewed and developed. The business contributes to the assessment through:
    - top-down risk assessments
    - risk and control self-assessments
    - risk event reporting
    - monitoring of the external environment
3. **Scenario analysis** – undertaken at different levels of probability. Generally, multiple scenarios will be assessed for each key risk. The assessment presents an impact analysis on the business including the financial impact
4. **Risk appetite** – a top down process that is verified by each division of the business and also by reference to internal and external experience of risk events
5. **Control appetite** – developed from the risk and control self-assessment, it is the level of control that is in place relevant to each risk. Where the control is outside tolerance, the business will put in place an action plan to bring it within appetite
6. **Risk reporting (dashboard)** – a mechanism used by the group to manage risk. The dashboard presents each key risk, its current RAG (Red, Amber or Green) rating, key risk indicator scores, risk events and outstanding remediation actions where required
7. **Risk and control self-assessment (RCSA)** – undertaken by all business units and then independently reviewed and challenged by the Risk function. The RCSA is a process and control focused assessment linked to the key risks
8. **Risk event process (REV)** – designed to capture, report, monitor and remediate process, control and system failures

Top and emerging risks

Top Risks

The top risk report is fundamental to the Group's RMF. Top risks are the most significant risks that the group is assessed to currently face and are typically being mitigated outside of business-as-usual activity. If any were to materialize, it could have a significant impact on the Group. These risks are typically rated as High or Very High on the materiality matrix.

The top risk report provides an overall risk commentary of the risk, considers similar internal and external events as well as any mitigating actions being proactively taken. Top risks are reviewed at the Group level and have been implemented at a business unit level where required. It is challenged by the FS ExCo and the RAC.

Risks shown on the top risk report for 2023 included:

- **Consumer Duty** – A key regulatory change which came into effect on 31 July 2023. Consumer Duty was included on the report in Q4 2022 due to the focus and priority on the regulations. Having been successfully delivered the risk was moved in Q3 2023 once there was confirmation that the requirements had been achieved and taken into business-as-usual
- **ESG** – This area, which is embedded across the Group's key risks, remains a key driver of activity for the Group. This risk has been actively managed over the last year. There are several key workstreams, understanding and implementing regulations, meeting regulatory deadlines and designing and developing systems and processes according to client preferences. The Group continues to refine its approach to understanding the environmental impact of the corporate supply chain, understanding portfolio level emissions data and considering how it interacts with the community and colleagues. The inaugural Group Board ESG Committee met in March 2023 and has continued to meet every quarter

- **Cyber risk** – This remains a top risk for the Group and it remains the primary focus of operational resilience and crisis management exercises both looking at the impact of an internal event and the impact if one of the Group's third-party suppliers were to be affected

Emerging risk radar

The emerging risk radar is a forward-looking view to enable the Group to identify where future risk may arise and then take steps to mitigate and decrease the impact to the Group. The emerging risk radar is currently reviewed at the Group level and is also used at business unit level where required.

Risks on the emerging risk radar for 2023 included:

- Pricing challenges
- Competitor disruption
- US banking stability

The top risk report and emerging risk radar facilitate discussion and provide a mechanism to monitor potential risks at executive and Board risk committees. The process of identifying developing risks at Group and business unit levels has been further refined to bring greater clarity on why risks are being proposed or removed from the report or radar.

ESG and climate risks and opportunities

Climate change

2023 has been an extraordinary year. Many climate records were broken, including global surface air temperature, ocean temperature and the extent of Antarctic Sea ice. These record extremes are alarming and highlight the urgent need for climate action now to prevent triggering climate tipping points.

We are committed to managing our business in a more sustainable way to minimise our impact on the environment. To ensure a resilient future, we are committed to reducing our operational climate impact and are also working with our value chain to understand and work with them to accelerate their journey. Environmental considerations are also integrated within our investment process as part of our approach to responsible investment.

We believe that the most significant climate impacts for our business are in the form of 'financed emissions' (i.e. where emissions are associated with the companies and collective investment funds that we invest in on behalf of our clients). ESG factors, including climate considerations, impact the long-term financial performance of investments, both positively and negatively, and our understanding of these factors will affect how we manage risks and opportunities for our clients' portfolios. This may affect our organisation and stakeholders in the short-term (less than one year), medium-term (one to five years) and long term (over five years).

Within our responsible investment strategy, ESG and policies on climate change are embedded to reduce risk and maximise opportunities related to our investments. Climate change is included in the material risks framework for direct investments and details of our Responsible Investment strategy and how this reduces our risks are discussed in our Corporate Responsibility Report (see **here**) and FCA TCFD entity report for the year end 31 December 2023 (see **here**).

The Group is now a member of three climate-related collaborative engagement platforms: The Investor Forum and Climate Action 100+. In 2023, we also joined Nature Action 100 (see principle 10 for further details). Through collaborative engagement with other investors, the Group can influence and address various ESG topics, including climate and wider themes.

Key physical and transition risks to our business

The impact of climate change has contributed to extreme floods, wildfires, droughts and storms in various parts of the world. Temperature records continued to be broken as evidenced by the extreme weather events which occurred globally throughout the year. Based on current pathways and trajectories, climate scientists report that the window to take action and avoid the most severe impacts of climate change is narrowing. To ensure a more resilient future, the onus is on all of us to reduce our climate impact.

The risks associated with climate-risk were analysed and have been split into two elements:

1. **Physical** – the risk of climate change affecting the Group's operations and assets, including assets under management, in relation to more frequent or more extreme weather events and chronic changes in climate
2. **Transition** – the risks to the Group as it transitions to embed ESG and climate-risk across the organisation, are related to policy and legal risk, market risk, technology and reputation risks

As we work towards controlling and reducing our carbon footprint, we have implemented many initiatives across the business. A summary of these is set out below:

Policies

We refreshed and updated the two key policies relating to environment:

- Environment Management Framework (EMF)
- Environment Policy

The EMF embeds requirements of the Climate-related Financial Disclosures (CFD) aligned with the TCFD, while the environment policy supports the EMF detailing our approach, giving specific guidance particularly around energy, waste and recycling, plastic, travel, food, water, biodiversity, deforestation, sustainable buildings and retro fit-outs, and throughout the value chain.

The EMF and environmental policy were approved by the Board ESG Committee and are reviewed annually.

Relocation to lower energy office space

We continued with the modernization of our office buildings, replacing older buildings with newer BREEAM-rated "Excellent" buildings.

Belfast – Ewart Building

In February 2023, approximately 45 colleagues were relocated to the Ewart Building.

The building has been fitted out to high standards of environmental sustainability and to accommodate smart and agile working.

Environmental features of the building include:

- The air handling units benefit from thermal wheel heat recovery which improves energy efficiency by 70%
- A high efficiency cooling tower which utilizes 78% less fan power compared to a traditional cooling tower
- The building has a BREEAM "Excellent" rating and an Energy Performance Certificate (EPC) of "A"
- Sensor LED lighting throughout
- An accessible bike storage area and no car parking spaces

Glasgow – Bothwell Street

In June 2023, approximately 400 colleagues were relocated to Bothwell Street bringing together colleagues from three Glasgow offices reducing our required office space,

The building is Glasgow's largest single office space and has a BREEAM 'Excellent' rating and an EPC 'A' rating. It utilises 100% green power from a wind farm located in Scotland. The building also features an 8,000 square foot roof terrace with a running track available to office tenants.

New sustainable building leases, 2024

Terms have been agreed for the lease of three new premises in Bristol, Bracknell and Leeds for relocation in 2024. All are expected to achieve an 'Excellent' BREEAM rating.

Other impact reducing actions

We purchase ethically sourced catering supplies (tea, coffees and other refreshments) and select locally sourced foodstuffs where possible. We use bio-degradable waste sacks and environmentally friendly cleaning products.

We measure and analyse the climate impact by office location on a quarterly basis as we work towards a realistic climate reduction plan for each office.

Renewable energy

As a large group with offices across the UK, Ireland and Jersey, we source energy for our offices through a number of providers, both directly and indirectly, dependent on the leasehold arrangement, the office location, and the energy sources available.

Where procured directly, we aim to increase our energy from renewable sources. In 2023, 98.4% (2022: 83.1%) of our directly procured energy and 67.2% (2022: 60.6%) of our total energy, was supplied from renewable sources supported by Renewable Energy Guarantees of Origin (REGO) certificates. The REGO scheme provides transparency to consumers about the proportion of electricity that suppliers source from renewable generation.

We are actively engaging with our lessors and property managers to understand their ESG commitments and how this will impact our office portfolio.

We continue to select sustainable buildings; colleagues relocated to two further BREEAM 'Excellent' rated offices increasing the space occupied in sustainable buildings to 41% (2022: 29%) by 55% of colleagues (2022: 45%).

For new offices, where possible, we are selecting buildings with lower carbon features and access to energy from renewable sources.

CDP

We are supporters of CDP and achieved a 'B' rating for 2023 ('C' rating in 2022). We will continue to complete this questionnaire annually and therefore will maintain transparency in our progress.

Employee engagement and awareness

In early 2023, we launched the Environment Steering Committee (ESC), followed by the Environment Forum (EF). The role of both is to promote, champion and support our environment strategy, to increase awareness of our environment agenda and be a sounding board for ideas and initiatives, with a view to improving our approach and developing and implementing our agenda.

The ESC meets monthly and has senior representatives from broad business areas so that we have a wide perspective of how we reduce climate-related risks and approach climate-related opportunities within the environment strategy and gain consensus of the strategy.

The EF meets at least once every two months and is made up of representatives from each office across the business. The strategy has been shared with members and they have made further suggestions for future improvements. This allows us to communicate our strategy and activities and receive useful feedback from members.

Towards the end of the year, we launched an Environment "Viva Engage" channel for all colleagues to have an opportunity to raise environmental issues through a communication channel.

Following a successful pilot, we introduced "Pawprint" in November 2023. Pawprint is a colleague engagement platform which encourages colleagues to get involved in "sprints" (short competitive bursts) related to a selection of low carbon themes. Colleagues engage in such actions tend to form better habits. The platform also makes available blogs and short reads to improve knowledge related to the environment.

In the short period since launch, 416 colleagues have participated, with almost 18,000 actions completed, with an estimated 102,400 tcO2e saving. Our first sprint, a focused engagement activity, gave colleagues the opportunity to get involved and achieve energy savings both at home and in the workplace.

Waste audit

An independent audit of waste was undertaken at Gresham Street, our largest office, as well as at two further sites, to identify opportunities for improvement.

The resultant report made recommendations sorted into short, medium and long-term, and indicated the potential magnitude of impact as high, medium and low, as well as ease of implementation. We are working in partnership with independent consultants to develop a programme to deliver these recommendations with the aim of a 50% reduction in recycling contamination and a reduction of waste to landfill by the end of 2024.

Policy and legal

The Board ESG Committee and the GEC is supported by senior colleagues and the legal and the compliance teams, who keep abreast and provide updates of climate-related regulatory and compliance developments.

Our policies, including the ESG policy, the EMF and the environment policy provide detailed guidance to the business on our approach to the environment both operationally and within the value chain. They are updated to reflect latest regulatory and compliance requirements regularly.

Technology

To reduce the transitional technology risk, we continue to invest in the investment management, custody and settlement technology system and have developed the responsible investment dashboard.

We have also invested in third-party research tools and databases to provide our investment managers with core ESG data and tools to assist in measuring ESG factors and sustainability risks for the investments we manage on behalf of our clients. In 2023, we also invested in enhanced forward-looking climate risk metrics from MSCI. This will enable us to provide scenario analysis/climate value at risk (CVaR) metrics for our TCFD reporting and consideration of material climate-related risks within our investment process.

Market

We offer clients a bespoke discretionary portfolio management service. Portfolios can be tailored according to individual client. preferences, including screening ESG attributes. Upon request, we are also able to provide clients with the carbon footprint of their portfolios.

Reputation

We are signatories to the UN PRI and are committed to the principles of the UK Stewardship Code 2020. As such, we provide regular and transparent reporting. We also submit an annual CDP climate questionnaire on our progress.

Scenario analysis

It is important that we are aware of climate risks and opportunities, including GHG emissions and that they are embedded within our corporate operations and investment processes. The risk from transition, which was explored in the ESG Scenario Analysis and refreshed in 2023, is considered valid and appropriate.

A scenario was considered based upon a significant change in climate (a 2-4% rise in temperature leading to a market drop of 40%); in line with the Bank of England Climate Biennial Exploratory

Scenario (CBES) stress testing scenario. This scenario considered the financial and non-financial impacts of climate events on the Group and its clients.

We plan to further enhance our climate scenario analysis to assess climate-related risks to the business over the coming years: It is an iterative process, and we will continue to develop our understanding and strategy.

Further information on our TCFD climate- related disclosures can be found in our Group Corporate Responsibility Report, on our Responsible Investing page, and 2023 TCFD entity report for our discretionary managed investments (here).

Investment process – integration of sustainability risks, identifying and acting on systemic risks

Our central investment strategy team identifies short, medium and long-term risks, including those posed by structural trends, such as climate change and digital conversion, together with the perennial concerns about interest rates, inflation, growth and geopolitical risks. We use these to inform the asset allocation process and top-down sectoral recommendations to investment managers.

We consider that a flexible, multi-faceted approach is the best option to identify systemic risks whether financial or non-financial. Our strategy team serves as the primary influence, but we also use relevant industry bodies, new collaborations, analytical expertise to scan the horizon and ultimately act on these risks.

Megatrends and macroeconomic strategy team

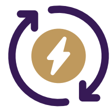
The strategy team continued to provide regular insights into our four megatrends that we believe will shape the next decade. This analysis is available to investment managers on our Investment Hub. Our extensive and ongoing macroeconomic research conducted by the strategy team at Evelyn Partners, allows us to identify these risks, both existing and future.

The strategy team monitors emerging risks, geopolitical developments, and research important long-term trends that may span geographies. This themed approach supports timely identification of systemic issues and supports our commitment to stewardship and responsible investment.

Four megatrends

1. Shifting demographics

2. Changing world order



3. Bumpy energy transition

4. Technological revolution

Megatrends are powerful, disruptive forces that shape economies, businesses and societies. They drive innovation, steer investment and create new ideas. These themes include high level ESG factors and represent our responsible approach from a strategic level.

Identifying these trends helps guide us to opportunities – and away from risks. They steer us towards those sectors and industries with a clear runway of growth, enabling us to build better, future-proof investment portfolios.

This work serves to inform investment professionals of any wider themes that may impact portfolios and also broadly informs our stewardship approach.

1. Shifting demographics

The main argument for this megatrend is that the global population is ageing, and there are likely to be significant consequences for the workforce and how we adapt to an evolving workforce environment. In the face of dwindling labour pools, there is a growing threat of forced labour practices. This has the potential risk to occur in any geography and can become semi-structural in its character. Our participation in the modern slavery Find it, Fix it, Prevent it collaboration goes some way to mitigate this section of risk.

According to the Global Slavery Index, there could be as many as 50 million people around the world trapped in modern slavery. Women, children and migrants are disproportionately more vulnerable to being trapped. Modern slavery occurs in every country in the world and in every business sector. This is a key issue for law-enforcement but can also impact the business and investment community.

In the UK, for instance, the Global Slavery Index estimates that we import goods worth an estimated $26.1 billion each year that, in all probability, used slave labour in their production. To mitigate this risk, companies should have an obligation to find victims of modern slavery in their supply chain and direct operations.

To this end, the Find it, Fix it, Prevent it initiative has three work streams:

- Public policy: to promote a meaningful regulatory environment through work with the government and the Home Office
- Corporate engagement: aiding companies in developing and implementing better processes for finding fixing and preventing modern slavery
- Developing better data: working with data providers, non-governmental organisations and academia to develop better data

By participating in this collaboration, we hope to contribute to the reduction of this insidious risk and thus assist in the reduction of this identified systemic risk.

2. Changing world order and risk to financial systems

The strategy team's geopolitical theme suggests that geopolitical tectonics are shifting, where the balance of power is at risk of moving away from transparent, democratically elected nations, towards less participatory governance structures. Formidable capital flows have come from China into the US and UK financial instruments and assets. This theme points to the need for checks and balances to ensure the integrity of our system.

Evelyn Partners works to maintain and enhance financial standards by its membership of the Investment Association, TISA and PIMFA, where the aim is to improve standards, influence the direction and substance of regulation and provide guidance for financial institutions. These bodies provide support to government to not only strengthen our system but also to help to improve the health of the system for consumers by indirectly improving the structures behind products and services on offer. For more actions we took with our trade associations, please see the section under Industry Groups in this Principle.

3. Bumpy energy transition and encouraging enhanced climate-related disclosures

To work towards net zero, our strategy work explains that the energy system must undergo three structural changes: decarbonization of power generation, electrification of energy use and increased efficiency of consumption, as well as the further adoption of electric vehicles. This transformation requires a significant investment in infrastructure, much of which is reliant on a limited supply of base metals. In addition, supply constraints, high interest rates and various political stresses all serve to make the transition 'bumpy'. However various sectors may well benefit from these long-term themes and this is reflected in our investment strategy. Equally, corporations need to adapt, with the highest emitters being most at risk from adverse policy shifts. History has shown repeatedly that enhanced disclosures lead to more action and ultimately the reduction in systemic risk.

Addressing these risks has been a key reason for working in partnership with other investment managers to enhance our influence over these matters. The SRI team regularly assess new collaborations as they arise from reputable sources like UN PRI and Share Action.

Please refer to Principle 10 for details of activities under the Climate Action 100+ engagement. Summarising their report in 2022 provides some insights as follows:

- Concerning the first aim to improve board-level oversight of material climate-related issues, 92% of focus companies now have some level of executive oversight, and 75% of companies have now committed to net zero by 2050. Investor engagement has played a significant part in communicating the legitimacy, urgency, and practicality of these commitments, emphasising the importance of board-level involvement in cementing them within company strategy
- Progress against the second aim, which is to make absolute emission reductions in the real economy, needs to improve rapidly. Credible transition plans aligned with the Paris Agreement are needed
- Finally, corporate climate-related disclosures, pertaining to the third aim, have substantially improved. 91% of focus companies have now aligned with TCFD recommendations, either by supporting the TCFD principles or employing climate scenario planning. Greater transparency on climate-related risks and opportunities faced by companies will help investors make more informed decisions and lay the foundation for re-orienting capital towards material climate-related solutions

Evelyn Partners continues to be an active member of this valuable initiative. We believe that by encouraging enhanced disclosures and factoring climate risks and opportunities into corporate planning, the financial system is less likely to experience a disorderly transition and will function better as a result.

On the 6th of February 2022, the firm issued a press release declaring its support for the TCFD. In becoming a formal supporter of TCFD we joined more than 3,000 organisations across the globe in demonstrating a commitment to building a more resilient financial system and safeguarding against climate risk through better disclosures.

Investing in climate transition opportunities:

We recognise the enhanced growth opportunities afforded to companies able to deliver solutions to the energy transition, though they may be high up on the risk spectrum. One way to tap into this opportunity is through specialist funds. Some of our collective investment sector specialists focus on climate change opportunities including energy transition and renewables and actively research these opportunities. Selected funds form part of our MU, and individual funds are held as part of balanced portfolios for clients. This serves to provide diversified opportunities to fund the energy transition.

The Group is a member of collaborative engagement platforms such as The Investor Forum and Climate Action 100+, where we were allocated a large US company. Through collaborative engagement with other investors, the Group can influence and address various ESG topics, including climate (see Principle 10 for more details).

In 2023 we responded to the advancement of the understanding of corporate exposure to combined climate/nature nexus risks, marked by the release of the Task Force for Nature-related Disclosures (TNFD) by joining Nature Action 100. This was also partially in response to a materiality assessment completed with the view to identify additional impact indicators based on the EU in the Sustainable Finance Disclosure Regulation (EU 2019/2088) (SFDR). This highlighted nature-related impacts such as land degradation, desertification and soil sealing, investments in companies whose operations affect threatened species and investments in companies without a biodiversity protection policy. We added this Principal Adverse Impact (PAI) indicator to our system to enable us to measure these biodiversity-related risks at portfolio level. With enhanced collaborative activity and an improved understanding of impacts, we are in a better position to manage and mitigate these risks.

4. Technological revolution

The megatrends' final theme assists us in many ways internally, particularly within our analytical teams. Our ongoing efforts to build suitable buffers within our internal processes to manage the risk of cyber- attacks falls under this theme, where the first line of defence is our employees.

In 2023, all employees completed training on Data Privacy and a mandatory refresh of our Acceptable Use policy covering cyber risk and best practice on handling sensitive information securely. These modules are designed to protect the interests of Evelyn Partners and its clients against the ongoing and pervasive risks that this emerging area poses.

The training provided requirements for our workforce and third parties to manage corporate technology and resources in a way that did not put Evelyn Partners at risk. The policy encompasses customer data, employee data, client data, information, intellectual property, materials, systems and services that Evelyn Partners owns, develops, acquires, or makes available to its employees.

Within our investment process, Privacy & Data Security is also an important component of our material risks framework for direct equities (see Principle 7 for additional information) and is assessed as a top five risk for 13 of our sectors.

Principle Adverse Impacts integration in the investment process

Evelyn Partners has adopted the approach of sustainability-related disclosures mandated by the EU in the SFDR (the Regulation). The Regulation includes provisions requiring relevant businesses to disclose to potential investors how sustainability risks are integrated into their investment processes and the due diligence performed on the PAIs of their investment decisions on sustainability factors (as set out below). Please see **here** for our updated sustainability-related disclosures statement.

The regulation defines:

- Sustainability risk as an ESG event or condition which, if it occurs, could cause a material negative impact on the value of an investment
- Sustainability factors as environmental, social and employee matters, respect for human rights, anticorruption and anti-bribery matters

This approach is incorporated within our investment process as follows. From a bottom-up perspective, our direct sector specialists identify the top three to five material ESG factors for each sector and use this to inform the investment decision making. Where this reflects market-wide or systemic risks to certain sectors, this is considered and may impact investment recommendations. Performance of all recommendations is regularly monitored and reviewed over multiple time periods through the IPC governance structures.

Our investment managers and sector specialists have regular engagements with the companies in which our clients invest. Regular informal communication and more formal discussions, including discussions about ESG factors relevant to each company, plus use of research tools, helps us to manage and reduce risk. Our proxy voting service provider provides us with third-party research that complements our in-house function. The issues that our advisers provide are shared with investment teams.

We are transparent in our voting and attempt to engage with the company before voting against a resolution so that we may understand the background to the resolution. Research, engagement and transparency help to reduce risk. Our policies and controls are designed to reduce risk and are regularly reviewed.

We continue to develop our colleagues' understanding of ESG factors and climate-related risks and opportunities. Our colleagues are key to help us identify, manage and monitor the risks and opportunities that face the companies in which we invest and within our own corporate operations.

Direct equity investments and investment risk

Evelyn Partners receives ESG data from MSCI on all securities in the MSCI ACWI and the MSCI UK IMI indices. Please see Principle 7 for more details.

MSCI provides an ESG score for all securities within our MU, the MSCI ACWI and MSCI UK IMI. For monitored securities, sector specialists, responsible for assessing monitored companies, may seek to override the MSCI ESG scores where there is a significant divergence between the MSCI score and their own assessment. This ESG perspective is supplemented by our own fundamental research and analysis, and also that from third-party providers, to arrive at an overall qualitative assessment or security recommendation.

This analysis incorporates an assessment of the likely impact of sustainability risks on the returns of these securities. In general, where a sustainability risk occurs in respect of these securities, there may be a negative impact on its value. Sustainability risk can either represent a risk on its own, or impact and contribute significantly to other risks, such as market risks, operational risks, liquidity risks or counterparty risks.

The ESG risk factors affecting all companies within each industrial sector within the MSCI ACWI and the MSCI IMI are then assessed. The top material ESG factors, three to five in total, for each industrial sector represent the key ESG issues for sector specialists to consider.

Using our proprietary RI Dashboard developed in 2022, we started reporting SFDR Principal Adverse Impact indicators at SRIG and DIG on a quarterly basis for consideration in the firm's investment process.

Collective investment managers and investment risk

Evelyn Partners monitors a selection of funds, which can then be used to construct and maintain suitable portfolios. Sector specialists divide up the population of monitored funds into three types:

Responsible/Sustainable, Enhanced ESG Integrated Due Diligence (EEIDD) and Others. Please see Principle 7 for more details.

Due diligence is undertaken on each fund under the following headings:

- **Industry bodies:** Ideally the investment firm/company should be a signatory to the UN PRI and/or the UK Stewardship Code, or another equivalent body
- **Investment policy:** A fund's investment policy should incorporate the principles of the UN PRI and/or the UK Stewardship Code in their approach to responsible investment
- **Investment process:** The fund manager should be able to describe how ESG is integrated into the investment process
- **ESG resource:** Training should be available to all investment professionals. Additional note will be taken where there is dedicated resource and/or external ESG data providers
- **Stewardship:** Voting and engagement policies will ideally cover ESG issues
- **Principal adverse impacts:** The investment firm/company should consider and disclose the PAIs of their investments

Clients

It is our fiduciary duty to manage investment risk on behalf of our clients.

To ensure that services are suitable, the adviser/investment manager needs to be very clear exactly who the client is, particularly when there is more than one party connected to the account. We take into account their:

- Knowledge and experience
- Financial situation
- Investment objectives (including attitude to risk)

By understanding our clients' risk capacity and tolerance and making sure they understand and have the resources to withstand the risk of loss from their chosen strategy, there is a reduction in the likelihood of poor outcomes or panic selling at times of market stress which in turn should reduce systematic risks.

Industry groups – affiliated trade bodies and Evelyn Partners activity in 2023

Our active participation in regulatory and industry consultations, working groups and workshops over the course of 2023 is valuable for our knowledge of appropriate processes and add to our understanding and ability to mitigate systemic risks. In turn, our ongoing support, both financially and with written contributions, serves to legitimise and fund these bodies that all assist in the health of our financial system. This helps to develop best practice.

Evelyn Partners is involved in several industry groups that allow us to engage and inform on promoting a well-functioning financial system. This includes contributing input into regulatory policy and consultation responses amongst:

Investment Association

The Investment Association (IA) acts as a voice for the UK investment management industry. It has around 250 members who range from small independent firms to Europe-wide and global players. Collectively they represent over £8.8 trillion of assets on behalf of UK clients and around the world. It is the largest industry body of its kind in Europe and the second largest in the world.

The IA aims to serve as a voice for this industry and represent their interests to policy makers and regulators. They also lead in learning and development initiatives to ensure compliance with the law and industry best practice and consult widely with members on issues affecting the industry.

Members of the Evelyn Partners team attended the IA forums on SFDR, TCFD, net zero and SDR in 2023.

In 2023, we have also contributed to the IA response to the European Commission's review of SFDR (1 Dec 2023) and the ICMA/FCA Draft Code of Conduct for ESG Ratings and Data Providers (September 2023).

Our Director of Stewardship and Responsible Investment is also a member of the IA Stewardship Reporting working group and the IA Voting Reporting working group. Both groups were active in 2023.

PIMFA

PIMFA is a smaller and more focused trade body in the private wealth sector, with £1.6 trillion in private savings and investments. They aim to represent a diverse range of firms provide industry thought leadership, lead the debate on policy and regulatory recommendations, maintain the UK's position as a leading global centre of excellence and promote the industry as a key catalyst to develop a culture of savings and investment in the UK. It also promotes a greater understanding of the sector and its role as a beneficial force in transforming the way people save and invest for the future.

We are members of PIMFA's Sustainability Working Group and regularly contribute to PIMFA's policy initiatives. Important work was conducted via our contribution to the FCA's consultation on its Sustainability Disclosure Requirements and investment labels regime (CP 22/20) in 2022. This culminated in Evelyn Partners own response to the FCA as well as input into PIMFA's, the IA's and TISA's final responses submitted in January 2023. In addition, we provided input into PIMFA's response on 5 May 2023 for the FCA's discussion paper on Finance for positive changes: governance, incentives and competence in regulated firms (DP 23/1).

TISA

The Investing and Saving Alliance's (TISA) ambition is to improve the financial wellbeing of all UK consumers by working collectively with the financial services industry to deliver solutions and champion innovation. TISA represents over 270 member firms. We are a member of TISA's Responsible Investment and Sustainability Committee.

We actively participated in TISA's response to the HMT consultation on the regulatory regime for Environmental, Social, and Governance (ESG) ratings providers (9 June 2023).

Collaborative engagement platforms

Also, we are a member of various collaborative engagement platforms, including the UN PRI and the UK Investor Forum. Please see Principle 10 for further details.

Existing and new collaborations inform our approach to systemic risk as they emerge and develop. Our membership of the Investor Forum is an important aspect of our defence. The Investor Forum's purpose is to place stewardship at the centre of investment decision-making by facilitating dialogue, creating long-term solutions and enhancing value. It helps investors to work collectively, escalating material issues with the boards of UK companies, communicating investor concerns and expectations in a comprehensive and consistent manner. We use our membership to keep up to date with industry developments through facilitated dialogues and getting involved in collective engagements. In 2023, The Investor Forum undertook three collective engagements of which we were involved in one.

The SRI team regularly assess new collaborations from reputable sources like UN PRI and Share Action. Addressing systemic risks has been a key reason for working in partnership with other investment managers to enhance our influence over these matters.

Case Study – Use of trade bodies for education purposes – Understanding the financial reporting implications of climate risk

This meeting was hosted by The Investor Forum in April 2023 and was hosted by Sotris Kroustis and Gurpreet Kaur from PWC to discuss where climate risk manifests itself in financial statements, and how they vary by industry. During this session investors were asked to consider how companies are reflecting the impact of climate change on their financial statements and how assumptions made within the TCFD scenarios align with the assumptions in financial statements. They followed this by talking about how climate issues could have notable impacts over the long term and that climate-related commitments could impact the financial statements. They asked us to consider how higher risk sectors with greater climate impact are doing more in this area and how useful TCFD disclosures can be to see if companies have modelled climate scenarios. They summarised this session by saying that the maturity of climate reporting will take time and may take years to achieve.

Outcome: *This session improved our understanding of the TCFD process and affected our expectations of the length of time it will take to develop climate reporting.*

Principle 5

Signatories review their policies, assure their processes and assess the effectiveness of their activities.

We believe it is our duty to clients as responsible investors to ensure we are transparent in our investment processes by promoting stewardship.

Approach to assurance

Our approach to assurance is in the first instance our governance process, which we believe has sufficient checks and balances for a firm of our complexity and size, whilst being proportionate to the fact that most assets are invested in monitored external collective investments managed by UN PRI and Stewardship Code signatories.

As explained under Principle 2, the investment management business represents the first line of defence to ensure that its stewardship and responsible investment activities are in the best interests of its clients. The business has dedicated teams (see Principle 2 descriptions), who propose standards, design process and draft policies. Their output is then subject to a two-stage review by SRIG and IPC before final adoption by the business.

There is additional review of the business at FS ExCo, which has representatives from the Compliance and Risk departments. Compliance presents regulatory developments, including those relating to responsible and sustainable investment. The Investment Management business provides updates on how it is responding to these developments and its general project work. FS ExCo escalates issues to the GEC and/or the RAC.

The next opportunity for review and challenge is at the Board ESG Committee.

The RAC approves internal audit priorities for the Group and during 2023 there were no audits of the stewardship and responsible investment processes as we tend to have a bi-annual approach to auditing. An audit has been scheduled for the second half of 2024.

Policies

We maintain a set of policies under the overarching structure of our Responsible Investment policy. All of these are disclosed on the '**Stewardship**' section of our website. Stewardship is broken out into various areas, all of which have a detailed policy. These policies are reviewed annually unless there is a regulatory change that forces an immediate change.

Principle 2 covers the full governance structure. Individual policies are designed by the SRI team pulling together operational, legal and compliance expertise as required. These are approved by SRIG and then reviewed by IPC.

Specific detailed policies covering stewardship include:

- Responsible Investment Policy
- Voting Policy
- SRD II Engagement Policy
- Sustainability Disclosure statement

These can be viewed on our website at **Responsible investing | Evelyn Partners**.

We also maintain a series of internal People related policies to support our corporate responsibility strategy (more information can be found **here** on our website). These include:

- Equality, Diversity & Inclusion
- Board diversity
- Health & Wellbeing including managing stress and the menopause
- Living Wage
- Dignity at Work
- Flexible Working
- Recruitment Policy
- Family leave

Responsible investment policy

Our Responsible Investment policy (available **here**) covers the integration of ESG factors into our investment process and how we act as responsible stewards on behalf of our clients, including through voting and active engagement with investee companies.

Investment objectives

We integrate ESG factors into our investment analysis and monitor ESG risks. We use MSCI ESG Manager screening services to assist us by providing ESG data and insights.

Governance

Oversight of the process is led by the Board ESG Committee. Investment managers maintain discretion on all investments.

Active ownership and engagement

We vote on discretionary holdings which are on our direct equity MU, any company on our Alternative Investment Market (AIM) monitored list and any situation where our materiality threshold is met.

Voting policy

We use Glass Lewis as our proxy voting service provider, but adapt their proposals to our own policies based on our direct engagement with the firms we invest in. Our focus is on the following areas:

- Transparency and Communication
- Corporate Culture
- Strategy
- Financial Disciplines, Structure & Risk Management
- Stakeholders, Environmental and Social Issues
- Governance

In-line with Principle 9, where we vote against a resolution, we write to the company explaining our position to allow them to provide additional information– this provides a valuable cross- check to the information provided by our proxy voting provider. All sector specialists have direct access to the Glass Lewis proxy voting reports as they become available. Our sector specialists are consulted as part of the voting process, and they consider continuing the discussion directly with the company as part of their ongoing engagement with the company where relevant. Each vote against a resolution is reviewed by three people – the sector specialist (or if the stock is unmonitored the largest material holders), a member of SRIG or ESG specialist investment manager and a senior member of the SRI team. All our voting activity is made publicly available each quarter on our website alongside our voting decision. We can also provide individual voting records for each client upon request.

Glass Lewis provide an annual review of regulatory changes for each proxy voting region including a discussion forum which allows us to share any concerns and hear the views of other investors. Our own detailed policies are continuously adapted based on our growing practical experience, feedback from the companies, sector specialists, investment managers, senior staff and informal client discussions.

Our Voting Policy can be found here.

SRD II engagement policy

Our engagement is based on integrating ESG factors alongside traditional financial metrics when making investment decisions according to the criteria set out under Principle 1.

Investee companies are monitored on:

- Strategy
- Financial and non-financial performance and risk
- Capital structure
- Social and environmental impact and corporate governance

Evelyn Partners complies with SRD II requirements for all discretionary and non-discretionary clients.

Sustainability disclosure statement

The Group's UK regulated entities are subject to the FCA implementation of the TCFD. Throughout 2023, we have significantly developed the Group's capabilities to address the FCA's requirements for TCFD recommendations and disclosures applicable to Evelyn Partners from 1 January 2023. This includes forward-looking scenario analysis and metrics on the financed emissions of our clients' investments, that enable us to assess the degree of alignment with the objectives of the 2015 Paris Agreement.

This statement will be updated in due course as we implement these requirements and any further FCA Sustainable Disclosure Requirements applicable to the Group.

The Group's Irish regulated entity Evelyn Partners Investment Management (Europe) Limited (EPE) and our in-house pooled funds managed in the EU are subject to the Sustainable Finance Disclosure Regulation (EU 2019/2088) and related Regulatory Technical Standards (SFDR). The SFDR includes provisions requiring relevant businesses to disclose how sustainability risks are integrated into their investment processes and how due diligence is performed on the Principal Adverse Impacts of their investment decisions and investment advice on sustainability factors.

Further information can be found on our approach to integrating sustainability risks in our Sustainability-related disclosures statement on our website and approach to Responsible investing.

Monitoring effectiveness

We recognise that responsible investment is continually evolving and therefore we need to ensure that our policies remain relevant. These policies and their effectiveness are reviewed at least annually by the Board ESG Committee, IPC and SRIG and more regularly as changes are required. The process is designed to be transparent with numerous checks and balances as noted elsewhere under Principle 8.

Reporting

As part of being a signatory to the UN PRI, we submit an annual assessment report. We publish our voting record on our website as well as a copy of our Stewardship Code response. We also have access to various reports through both MSCI and Glass Lewis.

During the year, we submitted our second climate questionnaire to CDP, noting our rating improving from 'C' to 'B'. We became a CDP supporter to track and benchmark our progress as we align with the TCFD and reduce our environmental footprint. We published our climate-related disclosures in our annual Corporate Responsibility report.

The first mandatory TCFD entity report in respect of our discretionary managed investments for 2023 is available on our website **here**.

External communications

External communications are subject to further checks and balances. For example, the drafting of the UK Stewardship Code was conducted by the RI Teams, reviewed by the Chair of SRIG, the Chair of the Charities team, the Chair of IPC, Chief Asset Manager and the Chief Investment Management Director and was also subject to review by Marketing.

This multi-stage review process, conducted by different stakeholders, helps to ensure that our communications are fair, clear and not misleading, in accordance with the FCA's SDR anti-greenwashing rules.

Assurance

In order to review our processes and provide internal assurance of our overall stewardship and responsible investment activities, the RAC, reporting to the Board, have appointed BDO LLP to conduct audits. None were scheduled for 2023 as we tend to operate on a bi-annual audit schedule. However an audit is due to be scheduled for the second half of 2024.

Our ESG policy introduced in 2022 sets out our approach to each element of ESG and how it is considered both operationally and within responsible investments. It outlines how ESG is considered throughout the value chain which includes suppliers, employees, clients, investees and shareholders.

Badges and awards

Over many years the high quality of our services has been recognised with industry awards, providing an important independent endorsement of our position as a market leading business that is committed to delivering excellent performance and client service. Below are examples of some of the awards that we won during 2023. Among these, the firm has also won awards in Money Age Wealth & Asset Management Awards and FT Advisor Awards for this year.

In addition, we are proud of the fact that many of our individual practitioners were recognised through awards and third-party rankings during the year.

Financial services awards

MAGIC CIRCLE AWARDS
Financial Planning Firm of the year Large
Citywealth
2023 Gold
Evelyn Partners

Investors' Chronicle
Best Low-Cost SIPP Provider Award
Award for Supporting New Investors

INTERNATIONAL INVESTMENT AWARDS 2023
Best International Discretionary Fund Manager

Wealth & Asset Management Awards 2023
Winner of Innovation of the Year

oma ONLINE MONEY AWARDS 2023
WINNER
BEST STOCKS AND SHARES ISA PROVIDER

boring money Best Buy ISA 2023

boring money Best For Beginners 2023

Good Money Guide Awards 2023
Best Added Value Investment Account

COLWMA 2023
BEST SIPP PROVIDER
Bestinvest

YourMoney.com Awards 2023
Winner of the Best Pension Platform – Small Portfolio

ADVFN International Financial Awards
WINNER 2023
Best Junior ISA

ADVFN International Financial Awards
WINNER 2023
Best SIPP Provider

Forbes ADVISOR
BEST OF 2023
Bestinvest
Best Stocks & Shares ISA Providers

Professional Services Awards

CITY A.M. AWARDS 2023
Accountancy Firm of the Year

Wealth Management Accountancy Firm of the Year
2023 Wealth & Asset Management Awards

We are proud that Evelyn Partners achieved gold ratings for our DFM Service and 5-star ratings for our MPS Platform, MPS Direct as well as our Bespoke Portfolio Service across our core and active product ranges.

defaqto 2023 GOLD DFM Service

defaqto EXPERT RATED ★★★★★ DFM Bespoke 2023

defaqto EXPERT RATED ★★★★★ DFM MPS Direct 2023

defaqto EXPERT RATED ★★★★★ DFM MPS on Platform 2023

All funds in our active range are rated by RSMR (an independent fund ratings agency) and have achieved the Dynamic Planner category of "Premium Fund".

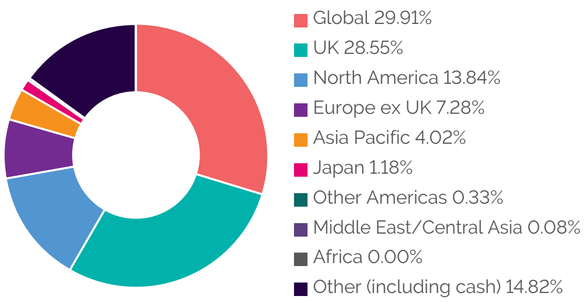
Principle 6

Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

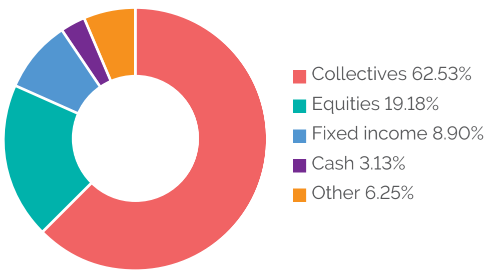
Evelyn Partners offers a bespoke portfolio management service which is aligned to individual client's objectives and risk appetites. Our client base is a mix of private client portfolios, trusts, charities and companies. Accordingly, it is of the utmost importance that we take account of each client's needs and regularly communicate these activities and outcomes.

Evelyn Partners is one of the fastest-growing firms in the UK wealth management market when measured on assets under management growth (Source: PAM Insight) and compared to listed peers. Over the last nine years our assets under management have grown predominantly via a mixture of the Group's M&A related activities and the combined new business growth from the legacy Tilney and Smith & Williamson businesses following the merger in 2020. The Group's combined AUM, starting from the legacy AUM of Tilney has increased more than tenfold from £5.0 billion to £59.10 billion as at 31 December 2023.

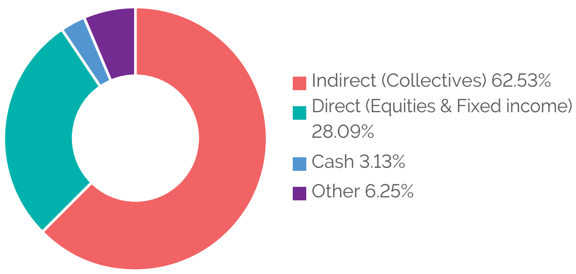
AUM by region



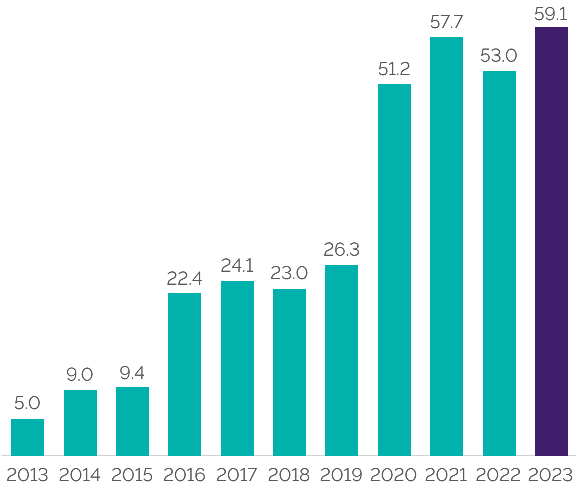
AUM by asset class



AUM by asset type



AUM by year (£ billion)



Client portfolios

As we manage bespoke portfolios on behalf of our clients, each of them varies on composition based on the following requirements:

- Portfolio size
- Investment objective
- Target income
- Target total return
- Risk tolerance
- Time horizon
- Liquidity
- Investment constraints, such as tax
- ESG and ethical preferences

Each client goes through a comprehensive fact-find prior to their account being opened. Seeking our clients' views and values is an integral part of this discussion and is well documented on their application form. These views are formulated into actionable investment guidelines and agreed with the client. This is reviewed with the client on (at minimum) an annual basis. This approach is used to ensure each client can tailor their portfolio to their individual views and values.

Client sustainability and ethical preferences may form part of the overall investment strategy, where they do not impact on overall portfolio suitability. Where a client wishes to place a formal restriction on certain assets for example, specific sectors or companies to reflect their values, this is implemented and monitored at a desk level by the investment manager.

Our investment managers have traditionally used MSCI ESG Manager to obtain details of positive or negative restrictions for their client portfolios for both direct and collective investment schemes. With our proprietary RI Dashboard, they also have access to PAI data, for each portfolio, to review the impact of their clients' investments on the wider society and environment.

For some of our clients, such as charities, we have separate mandates for their restrictions and we provide enhanced reporting, including details of the investments' exposures based on their stipulated preferences.

The Asset Allocation Committee has responsibility for setting strategic and tactical asset allocation, which is regularly reviewed by IPC. While the strategic asset allocation guidance is set according to our long-term expectations of risk, tactical asset allocation seeks to exploit more variable short term market behaviour. In addition, we also create bespoke investment portfolios for our clients to meet their requirements, goals and values as well as overall suitability considerations. This means each client has their own investment time horizon based on their individual requirements. These fall under three categories, short-term, medium-term and long-term. To invest a significant proportion of a portfolio in equities requires a time horizon of greater than five years, reflecting the volatility of this asset class and the need for a longer time horizon to make sure the strategy meets its objectives.

We believe holding the right blend of assets – including equities, fixed income, and diversified alternatives – is the primary determinant of long-term investment performance. As a framework for constructing portfolios, we use a range of asset allocation strategies, built by our specialist in-house team. Our investment managers will fine-tune the allocation to meet clients' requirements before selecting appropriate investments within each asset class.

We conduct ad hoc client surveys to help understand what is important to our clients. However, more importantly, it is the primacy of relationship between client and investment manager that matters. Understanding our clients and what is important to them is an integral and ongoing part of the relationship, which helps us shape bespoke portfolios to meet their needs.

In 2022, we also added a set of questions on responsible investment in our annual internal investment management survey. These questions covered the investment managers' views on the responsible investment process at Evelyn Partners and their clients' demand and perception of ESG. We review the questions relating to RI annually whilst maintaining the core questions to assess client views over several years. This will enable us to continue to cater for our clients' evolving interest and understanding of ESG as well as our business needs.

Reporting – clients

Clients receive a quarterly valuation statement that includes specific geographical and asset class breakdown, alongside details of all holdings in their portfolio. Each valuation includes house commentary from our strategy team, and a detailed bespoke summary from the investment manager on at least an annual basis.

Clients have access to our quarterly voting report which is available on our website, they can also request ad hoc statements of all votes relevant to their portfolios.

As standard, discretionary holdings that meet our materiality threshold are voted on in line with the Evelyn Partners voting and engagement policies. However, clients can request at any time that their holdings are excluded from this and instead specify how specific holdings are voted on according to their preference. Specific voting reports are also available upon request by clients.

Regarding sustainability, clients can receive ad hoc reports on the ESG rating of their portfolio and underlying holdings, carbon reports and positive impact reports. These can be used to assess ongoing activities to adjust the overall sustainability characteristics and profile of portfolios, as well as the success of these activities. We have found that these reports often need significant explanation and careful caveating. Extensive training has been organized with investment managers on how to run and talk to clients about these reports. Recordings of our MSCI training sessions are saved to our internal investment portal for investment managers to access when required.

Also, we aim to improve our clients' knowledge base by producing responsible investing articles and thought leadership pieces, which can be found on our website, as well as regular conferences and webinars including our trustee training for Charities. As an example, some of our views featured in an article published in the Financial Times on **ESG put to the test in a high inflation world**.

In September 2023 we held our annual Charity Conference, with a focus on the practical application of our clients' needs looking through an ESG lens. Throughout the year we have also hosted a series of trustee training sessions, that have been run with various in-house specialists as well as external speakers.

Since our last report, we have also held various sector specific training sessions with MSCI covering topics such as modern slavery in the supply chain, anti-deforestation regulation, EU sustainable finance and climate change target setting, We have added a few examples of how we respond to client feedback below.

Case Study – Responding to negative feedback – consultant feedback on completing RFPs

Evelyn Partners participated in a tender process for a client via a consultant. We were not successful and requested feedback. We heard that while the client liked much of our submission, there were a few omissions in our response. One of these was the detailed breakdown of analysts involved in the investment process by sector. This was because some of the analysts covered collective sectors as well as direct sectors, so we were careful not to double count and therefore overstate our position. However, it was explained that we had lost marks without this detail.

Outcome: *We worked to generate the exact numbers, which are now available on request.*

Case Study – Responding to client feedback – customised carbon emissions disclosures and net zero target setting

One of our clients let their investment managers know in their April 2023 meeting that they had set a net zero target by 2030, and they wished to understand more about implementing this across financed emissions. The investment managers responded that they were able to provide specific details on carbon emissions for all discretionary clients. The client also requested an explanation of Climate Value at Risk (CVaR), a new metric designed to evaluate a portfolio's exposure to transition and physical risks. At the next meeting in November, the investment manager responded to this client feedback by presenting details on emissions and key contributors, as well as further information on CVaR. At the next meeting, this time with consultants, the investment managers presented detailed information and explanations of other useful metrics including Implied Temperature Rise (ITR), green revenues and the percentage of their portfolio in companies with Science Based Targets. This information was then presented by investment managers at the next trustee meeting for consideration by trustees.

Outcome: *We then met with the Finance Director in spring 2024 who requested that we proposed a single metric as a target. Following this feedback it was agreed that ITR would be used. The client is now comfortable overall with this approach and while we will be reporting on several metrics, only ITR will be used.*

Case Study – Responding to client request for joining collaborative engagement

We had a query from a client (and then subsequently, a second one) who had concerns with the environmental impact of intensive agriculture in the UK, specifically the cattle/beef industry. It was suggested that FAIRR would be beneficial in tackling these risks. The SRI team researched FAIRR's activities to assess its relevance to our clients.

The FAIRR initiative is a collaborative investor network that raises awareness of the environmental, social and governance risks and opportunities in the food sector. FAIRR is involved in proactive dialogues with investors, food companies and stakeholders around material non-financial issues, such as deforestation, biodiversity and climate. FAIRR helps investors to identify and prioritise these risks through cutting-edge research, which they can then integrate into their decision-making processes. Their intention is to provide insightful and impactful data on the risks associated with intensive animal agriculture. FAIRR had $70 trillion in member AUM at time of joining.

Outcome: *A report containing this information was presented at SRIG in January 2023. The request was approved at the meeting. On joining we gained access to the latest research and analysis on the relevant ESG risks and opportunities in protein supply chains. There were active opportunities for us to join collaborative engagements with relevant companies. In 2023 we were involved in the following engagements related to:*

- *Antibiotic use in the quick service restaurant sector: McDonalds and Starbucks*
- *Working conditions: Unpacking labour risk in global meat supply chains: Cranswick*
- *Antimicrobial Stewardship of Leading Animal Pharmaceutical Companies: Zoetis*

Principle 7

Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.

Evelyn Partners has a strong commitment to corporate responsibility. It is core to our purpose, our culture and business strategy, and ESG considerations are embedded into our corporate operational processes.

For wealth managers and financial advisers, such as ourselves, who are entrusted with the stewardship of our clients' capital, it is also important to ensure that ESG considerations are embedded within our responsible investment processes.

We recognise that every client has unique circumstances and requirements and can benefit from a tailored investment solution. Our offering is underpinned by a robust and repeatable process which provides a solid framework within which to manage discretionary portfolios. By taking time to understand our clients' circumstances, we can then construct the optimal portfolio, applying these tested and longstanding processes.

Responsible investment is part of our fiduciary duty to our clients, as well as a regulatory requirement. Most of our client portfolios are bespoke, which allows each client to express their own responsible investment preferences. Based on the UN PRI definition, we define responsible investment as the practice of incorporating ESG factors into investment analysis alongside traditional financial factors, and the practice of active ownership/stewardship.

As long-term investors we have always considered the sustainability of the companies we invest in. Incorporating material ESG factors and screening into our analysis is a continuation of this process.

The goal is to integrate ESG factors and practise active ownership in a way that enhances the existing investment process and improve long-term outcomes for clients. The integration of ESG factors is performed at the sector specialist level and feeds into recommendations for direct and collective investments and informs our voting and engagement activities.

ESG factor integration is performed primarily using qualitative analysis, based on data and research principally from MSCI ESG Manager as well as other internal and external resources. Our sector specialists use this in addition to their specialist knowledge of the sector and the company. All research is shared across the firm on the internal investment portal, where investment managers find the details on our MU.

All of our sector specialists are also investment managers with client responsibility. This ensures that our research is produced from a practical buy-side perspective and that our sector specialists have a stake in the ideas they produce (as they will buy securities for their own clients based on these ideas).

Direct securities

The direct investment process seeks to provide investment managers with a sufficient choice of securities from which they can construct and maintain suitable portfolios. The process seeks to cater for our clients' wide range of circumstances, values and objectives. However, our core philosophy is that investment in direct equities of growing companies with sustainable and attractive returns, and not overpaying for these companies, generates superior portfolio performance. The securities identified by this process form the MU.

A key objective of the direct investment process is to demonstrate that adequate due diligence of investments held in managed portfolios has been carried out. By fulfilling this regulatory requirement, we are able to manage bespoke portfolios in a way that should lead to the best client outcomes.

Consideration of ESG factors is included as an intrinsic part of the investment selection process. For direct investments, MSCI ESG Manager provides for all companies on the MSCI ACWI and the MSCI UK IMI: ESG data points, ESG ratings and industry/thematic research, as well as business involvement screening. We receive additional ESG and thematic research from our third-party research providers.

Sector level material ESG factor identification

This analysis assesses the likely impact of sustainability risks (otherwise known as the consideration of material ESG risk factors) on the returns of these securities. In general, where a sustainability risk occurs in respect of these securities, there may be a negative impact on its value. Sustainability risk can either represent a risk on its own, or impact and contribute significantly to other risks, such as market risks, operational risks, liquidity risks or counterparty risks.

The basis of our model has previously been reliant on our data provider MSCI and their interpretation of sector ESG Risks. The issues underlying the individual ratings for each sector are aggregated to establish the top three to five material risks per sector based on MSCI's methodology.

In 2023, we have reviewed our approach to ensure alignment with MSCI's methodology and added a comparison with the Sustainability Accounting Standards Board (SASB) Materiality finder. Both model outputs are then presented to the sector leads at dedicated annual meetings. The sector leads then make a final qualitative decision on the top five material risks per sector for the purposes of our investment process.

The framework to identify the ESG factors is reviewed annually by the RI Transition team to ensure our methodology remains relevant and any significant change to sector ESG factors from one year to the other is highlighted to the sector leads for their final assessment.

This process enables us to identify the top material ESG factors, three to five in total, for each industrial sector. These factors form part of the recommendation process. Where an ESG factor impacts the investment case of a stock, this feeds into the overall stock recommendation. We are also looking into defining Evelyn Partners RI priorities that will provide a consistent overlay onto these sector level ESG factors.

Environment pillar		Social pillar		Governance pillar
Climate Change Vulnerability	Raw Material Sourcing	Chemical Safety	Product Safety & Quality	Corporate Governance (including Ownership & Control, Board, Pay and Accounting)
Biodiversity & Land Use	Toxic Emissions & Waste	Controversial Sourcing	Supply-Chain Labour Standards	
Carbon Emissions	Water Stress	Financial Product Safety	Responsible Investment	Corporate Behaviour (including Business Ethics and Tax Transparency)
Electronic Waste	Opportunities in Clean Tech	Health & Safety	Community Relations	
Financing Environmental Impact	Opportunities in Green Building	Human Capital Development	Access to Finance	
Packaging Materials & Waste	Opportunities in Renewable Energy	Labour Management	Access to Health	
Product Carbon Footprint		Privacy & Data Security	Opportunities in Nutrition & Health	

Source: MSCI

Sector specialists' assessment within their sector

MSCI provides an ESG score for most securities that fall under their coverage. These encapsulate MSCI's rules-based assessment of the key environmental, social and governance risks and opportunities that could affect its value and therefore overall ESG rating/score.

When analysing a company, analysts must take note of the MSCI ESG rating and the sector level material ESG factors in which the company operates, typically three to five as stated above. We encourage sector specialists to understand the drivers behind the MSCI ESG rating, but also to use their own judgement to ascertain if the driving factors are important to the long-term performance of the individual company. In particular it is important to understand the reasons behind low scores.

For monitored securities, Evelyn Partners sector specialists, responsible for assessing monitored companies, may seek to override the MSCI ESG scores where there is a significant divergence between the MSCI score and their own assessment. This ESG perspective is supplemented by our own fundamental research and analysis, and that from third-party providers, to arrive at an overall qualitative assessment or security recommendation.

Every quarter, direct sector specialists attend a review meeting, where they are joined by representatives from the strategy team, the Fixed Income team, our Director of RI and the SRI team. The purpose of this meeting is to fully review recommendations within the sector and explore additional inputs from the aforementioned teams.

For each quarterly review meeting, a summary of all ESG rating changes and new controversies is assessed as well as a deep dive into ESG issues material to the sector, in addition to a review of corporate governance within the sector. This serves to continually upskill the sector specialists in understanding ESG issues and ensure that any conclusions have been integrated into the investment recommendation.

These ESG factors also form some of the key areas of engagement when sector specialists speak to company management and further interrogate the materiality of these issues for the individual company and analyse their responses and targets.

In 2023, we reviewed the quarterly meeting template to include SFDR PAIs and key TCFD historical metrics for sector leads to take into consideration in their quarterly review as well as changes to the research notes template to ensure this data is understood and embedded in the research process. We have developed a sector view in our RI Dashboard to enable sector specialists to easily access these datapoints, and take relevant actions.

We use the same reports and ESG approach for direct fixed income as we do for direct equity holdings.

We have also reviewed ESG integration in the AIM sector, with a strong emphasis on governance risk factors due to the sector's specificities.

We will continue to evolve our reporting and availability of information, especially on climate-related factors as we have onboarded MSCI Climate Lab Enterprise and Climate Lab Companies into our research process in 2023.

PAI and TCFD considerations for direct securities

In 2022, we started reporting 18 SFDR PAI indicators on our direct investments to DIG with details of the top 20 contributors as well as TCFD historical metrics. We had already significantly developed our internal data capabilities in 2022 and this work continued in 2023 with the addition of 9 additional PAIs reflecting factors such as exposure to areas of high water stress, land degradation, desertification, soil sealing, companies without a policy to address deforestation or biodiversity protection policy, lack of supplier code of conduct, child or forced labour or human rights issues. These additional PAIs were agreed using a review of the list of SFDR optional PAIs, identifying the PAIs with sufficient coverage based on our MU, the materiality of our holdings, and a final qualitative assessment by SRIG members.

On a quarterly basis, we extract the highest company contributors per PAI indicator and identify any outliers on a specific PAI or across several PAIs. These reports are escalated to DIG and are made available to sector leads for their quarterly updates. These groups then decide on relevant actions to be taken, including referring to the SRI team for further escalation and engagement with investee companies.

Indirect – collective investments (funds)

The majority of the firm's AUM is invested in collective investments (circa 60%), which represent a core element in our investment approach. Benefits of investing in collectives include enabling convenient access to a wide range of:

- Markets, sectors and themes, especially for smaller investment sums
- Investment styles and approaches to seeking alpha
- Best-of-breed fund managers

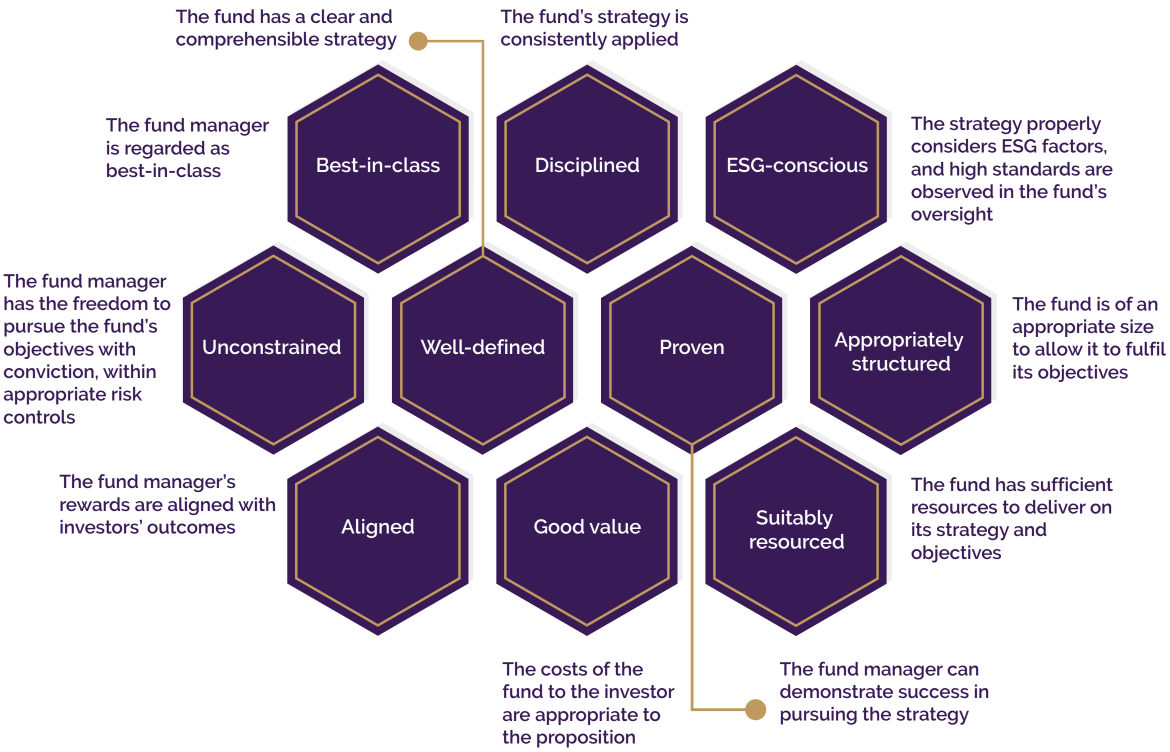
The collective investment process seeks to provide investment managers with a sufficient choice of funds from which they can construct and maintain suitable portfolios. The process seeks to cater for our clients' wide range of circumstances, values and objectives.

A key objective of the collectives investment process is to demonstrate that adequate due diligence is carried out. By fulfilling this regulatory requirement, we can manage bespoke portfolios in a way that should lead to better client outcomes.

ESG analysis is integrated into our collective investment research process and the assessment takes mainly the form of a qualitative approach supported by quantitative data and reports from MSCI ESG Manager and Morningstar Direct/ Sustainalytics. Sector specialists are also informed by the lists of signatories to UN PRI and the UK Stewardship Code as part of our standard due diligence for all collective investments.

In 2022, the Evelyn Partners Active Fund Framework was launched to provide additional guidance to collective investment sector specialists for their selection of the 'best-of-breed' funds. We identify these funds and their exceptional managers by using this fund selection framework, focusing on ten important considerations as outlined below.

Collectives framework



This framework supports the sector specialists in identifying a selection of high-quality funds within their sector, which are representative of a variety of styles on offer. The main elements that they evaluate include:

- The strategy (including its longevity)
- The approach to incorporating ESG considerations
- The consistency and quality of the historic track record
- All costs
- The liquidity (of the fund and the underlying investments)

The responsible collective process applies to all funds formally monitored by Evelyn Partners sector specialists and included on the monitored collective investments list.

These monitored collective investments can be broken down into **three categories:**

1. Enhanced ESG Integrated Due Diligence (EEIDD) for collective investments

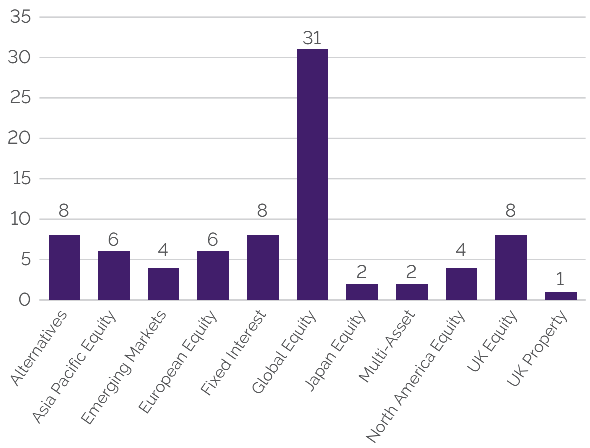
In recognition of a growing demand from clients for more discerning requirements and to reduce material ESG-related investment risks in our principal asset class, the EEIDD funds process was created in 2021 and further extended throughout 2022 and 2023.

These collective investments have more stringent ESG integration (the explicit and systematic inclusion of ESG issues in investment analysis and investment decisions), which means they are more likely to be suitable for clients with strong ESG preferences. Any fund can be eligible for the EEIDD mark where ESG considerations are well embedded into the investment process and/or show a robust commitment to positive inclusion policies.

It is the responsibility of the collective investment sector specialist to propose funds that should be assessed against the more stringent criteria. The sector specialist completes the assessment and the resulting matrix, together with underlying documentation, is then reviewed by one of our ESG specialists. This assessment is either approved or rejected.

Of the candidate funds proposed in 2023, we successfully increased the number of qualified funds from 57 to 80. In 2023, EEIDD collective investment funds by sector type are shown below.

EEIDD funds by sector



The EEIDD matrix has six categories and funds need to have evidence on each of them.

In the second half of 2023, we reviewed the matrix initially designed in 2021 to take into consideration the increased level of ESG integration in funds over the last 2 years and to integrate additional SFDR and TCFD considerations. With additional data capabilities, we also proposed a mapping of relevant datapoints to support the qualitative assessment.

As part of this review, we completed a review of all our collective investments against some of these quantitative measures to provide a list of EEIDD funds that should possibly be reviewed or should be considered for the EEIDD flag.

The updated matrix and proposed list of EEIDD funds was reviewed with the investment management ESG specialists and agreed by CIG and SRIG.

We have also added a specific question on how investment managers were using the process as part of our internal annual survey of investment managers to assess understanding and usage with clients.

As industry and regulatory requirements continue to evolve, especially with FCA's SDR rules on sustainable investment labels and criteria for UK funds coming into effect in H2 2024, this EEIDD process is expected to be reassessed in 2024.

2. Responsible/sustainable collective investments

These funds have specific mandates which invariably result in a heavily constrained investment universe. One consequence is that, unlike EEIDD funds, Responsible/Sustainable investment funds cannot be compared to other funds in the same broad sector.

Funds eligible for the responsible list have responsible strategies/mandates in place which mean they should not sit alongside mainstream funds on the wider collectives monitored list, as their resulting investment universe is heavily altered or restricted compared to the conventional peer group. This is why we have created a separate sector for these in our MU ('Responsible'). In 2023, we had between eight to nine sector specialists covering these funds and providing insights to investment managers for their portfolio construction (see Principle 2 for bios and Principle 8).

3. Other collective investments

Not all funds will have sufficiently stringent ESG integration or positive inclusion processes to earn a EEIDD mark or to be eligible for coverage by the Responsible Collectives team.

Due diligence on collective investment managers

All funds, regardless of whether they are eligible for the responsible list or a EEIDD mark, are subject to ESG due diligence. This assessment focuses on the investment philosophy and process, any restrictions or specific inclusions, internal and external research and assessing their voting and engagement policy.

To reinforce our due diligence process on collective investment managers, we signed up to Door, the global digital due diligence and risk management platform. We include a press release from July 2022 explaining this process (see press release here).

The questionnaire on the Door platform contains a series of detailed questions for fund managers and provides us with consistent data for comparisons and monitoring. In 2023, we reviewed our initial DDQ in Door to streamline some of the questions, including all ESG-related questions. As part of this review we ensured that SFDR and TCFD considerations were incorporated, as well as adding proprietary question on Paris alignment and green revenue generation.

We submitted our first DDQ requests in September 2022 to 427 funds from our MU covering 118 fund managers and we are scheduling a new wave of DDQ requests in early 2024 following the questionnaire review.

The sector specialists are then responsible for embedding this information, with other sources of information received through meetings and fund documentation, in the research documentation.

The main categories of our extensive questionnaire covering 30 categories are highlighted in the table below:

Door categories

A: Firm Level	B: Strategy Level	C: Vehicle Level
A.1: Firm Information	B.1: General Strategy Information	C.1: General Vehicle Information
A.2: Audits, Litigation	B.2: Benchmark/ Index	C.2: Operations and Administration
A.3: Ownership and Control	B.3: People I: Investment Team Overview	C.3: Trading (Dealing) and Redemptions
A.4: AUM & Clients	B.4: People II: Roles, Responsibilities & Decision-Making	C.4: Counterparties
A.5: Personnel	B.5: Philosophy	C.5: Vehicle Level Assets
A.6: Compliance	B.6: Process I: Summary	
A.7: Risk Management	B.7: Process II: Research	
A.8: ESG/RI	B.8: Process IV: Investment Universe	
A.9: Proxy Voting & Engagement	B.9: Process V: ESG/RI	
	B.10: Process VI: Portfolio Construction	
	B.11: Tracking Error, Targets & Outcomes	
	B.12: Liquidity & Capacity	
	B.13: Risk Management	
	B.14: Positions & Trading	
	B.15: Strategy Level Characteristics	
	B.16: Strategy Level by Clients & Vehicles	

Although our expectations are broadly similar across asset classes, data coverage is different and context is used when assessing the quality of ESG processes in a fund.

For example, voting policies and records are not relevant for fixed income funds, whereas we would expect that emerging market vehicles rely more on internal research resources as external sources are less available.

For alternative investments such as private equity, real estate, infrastructure, commodities and hedge funds, data coverage is poor. Although our exposure to investments in private assets is generally low, tailored reports are taken into consideration. For funds holding private assets, MSCI screening scores are generally not available but many of these companies produce their own assessments which we can review. We have included case studies to show our due diligence in some of these asset classes (see below for a case study on this Principle for Bonds and UK Equity, Principle 8 for Hedge fund and Principle 9 for Real Estate examples).

Collective investments incorporate a broad range of products and structures. They comprise closed-ended and open-ended vehicles (both on and offshore, regulated and unregulated) and also include passive funds, Non-Mainstream Pooled Investments (NMPIs) and structured products.

The result of the due diligence assessment is then shared with the fund management teams that we believe need to improve their disclosures or processes. See the Appendices for further details on fund due diligence on collective investments.

Active ownership

Active ownership is performed at a firm level, directed by the SRI team. We receive recommendations from Glass Lewis, our proxy voting provider. However, we enforce our own policy which is built from our experience and engagement with the companies, as well as the expertise of our investment analysts and managers. All proposals to abstain or vote against a resolution is reviewed by a minimum of the sector specialist, a member of SRIG or an ESG specialist, and a senior member of the SRI team. If the stock is unmonitored the largest material holders are consulted. Where the company in question is AIM listed or an investment trust, we include our AIM and investment trust specialists as one of the signatories. Recommendations are also reviewed by the responsible investment analyst as well as the material holders in the company. Our approach can be found in our Voting and Engagement policies, which is found on our website: [Investment stewardship | Evelyn Partners.]

Teams and resource

The SRI team is responsible for all the firm's stewardship activities, including the proxy voting process, collaborative engagements, and providing transparency on our activity. Some of our investment managers are also ESG specialists that are embedded as part of our investment management teams. They provide support to the wider front office with ESG integration, thematic investing and client communication. For more information on our resources, please see Principle 2.

The RI teams provide further ESG training for all our investment professionals, to ensure a consistent level of knowledge and understanding. In 2023, our training focused on deploying the RI Dashboard, key regulatory concepts and highlighting data limitations to all investment managers, sector specialist and fund managers. This resulted in a series of training sessions during the year to explain the genesis and reliability of this data.

We use MSCI ESG Manager as the primary external source of ESG and ethical screening services for both direct investments and collective investment funds. We also make use of Morningstar and data available from Bloomberg and Refinitiv. Our sell-side relationships also increasingly add valuable ESG-related insights through their work.

Our sector specialists conduct in-depth research into UK and overseas equities by holding meetings with companies' management each year as well as undertaking media and other desk-based research.

In addition, we have mobilised investment management graduates since 2021 to go through ESG training and provide analytical support to sector specialists. We are committed to ensuring responsible investment is integrated from the onset of their investment management journey, whilst providing support to existing resources. The graduates are tasked with MSCI ESG screening of companies in their allocated sector as well as reviewing any controversies raised by MSCI. We aim to rotate our investment management graduates every year with a six month overlap between cohorts, thereby ensuring a large portion of our junior investment managers develop a deep understanding of ESG in the investment process.

Remuneration

As outlined under Principle 2, our Remuneration Policy comprises all relevant feedback, including non-financial criteria, which is provided to the Remuneration Committee for consideration in the assessment of variable remuneration. This includes whether the investment process has been followed with regard to matters such as asset allocation, security selection, responsible investment and investment risk management, including sustainability risks.

All our sector specialists are also investment managers with client responsibility. Our analysts receive additional performance-based bonuses linked to their analyst responsibilities, with ESG integration representing a core tenet of the analysts' responsibilities.

Oversight

Oversight and steering of this process is led by IPC and managed by SRIG, DIG and CIG.

Looking ahead

A significant development, that we have been working on in 2023 and are looking to further implement throughout 2024, is the definition of Evelyn Partners RI priorities. In addition to our sector specific non-financial risk framework, we are in the process of implementing three bottom-up priorities to inform our responsible investment process. They help to provide us with a specific focus for our investment selection, risk management and stewardship activities. This has been greatly assisted by the emergence of new forms of disclosures by companies that continue to improve. The three priorities are:

- Environmental Resilience
- Workplace Standards, and
- Excellence in Governance

We are also planning an extension of the EEIDD process to all collectives currently rated as ++ (top picks) or + (positive) MU ratings in our investment process to ensure that we gradually increase the level of due diligence that we are conducting on our investment holdings. We are also enhancing RI minimum standards for all collective investments in our MU.

The incoming SDR FCA regulation will impact our collective investment process significantly in 2024 and we are therefore anticipating further changes to the existing process.

Following our focus on implementing the FCA's mandatory TCFD asset management requirements in 2023, we are planning to further define and implement how to take forward looking climate-related data into consideration in the investment process.

To support these changes, we are planning further training and communication on how to embed RI in the investment process with the various investment teams impacted to ensure training is based on their specific roles (e.g. RI analysts, direct or collective sector leads, fund managers and client facing roles).

Case Study – Engagement with a new covered collective fund on responsible investment processes

We initiated coverage in July 2023 with a positive rating, following a full review including scrutiny of their responsible investment processes and the receipt of full information on voting and stewardship activity. Regarding ESG characteristics, the fund did not invest on the basis of themes; the aim was for the portfolio to perform better on non-financial metrics such as carbon intensity versus the benchmark. The fund produced an annual ESG report, largely focused on ESG KPIs for portfolio holdings, but also showing how the ESG metrics of the overall portfolio had changed over the year. Separately, a quarterly engagement and voting report was also disclosed on the fund's website, with details of discussions and milestones reached with companies. Our analyst was pleased to hear that stewardship resources were good: portfolio managers were generally encouraged to run engagements themselves, with the support of the central ESG team of around 10-12 members, 4-5 of whom were governance specialists providing additional support.

Recent engagement targets included water companies, which were high profile in the media currently. Severn Trent and United Utilities were investible for the fund and had better standards than privately held water utilities (like Thames Water and Southern), but the portfolio manager continued to engage for change with the companies on this front. Sainsburys was another subject of an ongoing engagement in relation to paying the living wage. Approximately 55% of the portfolio's holdings had set or were setting Science Based Targets and this was another area of focus for engagements. In terms of negative screens, our analyst had questioned an element of the presentation which covered "chemicals of concern". This led to a subsequent communication and clarification from the portfolio manager together with how it affected stock selection.

Outcome: *As a result of the full disclosures including ESG and stewardship information provided by the fund manager, the fund was initiated with a positive rating on our collectives MU.*

Case Study – Downgrading fixed income (bond) fund from top picks to positive on MU

Our analyst had their annual update meeting in August 2023 with the managers of this fund, which is one of the few funds in the GBP Corporate sector that has a fully integrated ethical/sustainability-related overlay. They had a useful update from the managers, one of whom was new. The managers believed that investing in companies that look to tackle issues related to climate change and biodiversity would generate long-term risk adjusted returns ahead of the wider GBP Corporate Fixed Income sector for investors.

The fund had both negative and positive formal ESG screening processes to exclude certain sectors and to include investments with better sustainability credentials. Exclusions included high-carbon impact sectors, animal welfare, nuclear power, human rights, predatory lending, etc. Meanwhile, the positive screen looked for management of environmental aspects, human rights, provision of beneficial products and services, employment opportunities, and green/climate/sustainability-linked bonds. At the meeting, the managers communicated their view that ESG screens reduce the size of the fund's investable universe and increase the tendency to be overweight in the financial services sector. While the fund was able to invest up to 20% in sovereign issues, they were unable to invest in issues that were not green bonds in some capacity (the fund could hold approved green bonds from an unapproved issuer). Given this, our analyst thought that the fund had a tendency to run very high credit risk.

Outcome: *We continued to be pleased with the fund management team, fundamental valuation process, and their integration of ESG and sustainability-related themes. However, our analyst decided to downgrade the fund from top picks to positive on our collectives MU. This was a reflection of short-term concerns around credit risk, where spreads were too tight to justify the credit risk at this stage in the investment cycle. However, we see this as a solid option for clients willing to withstand higher volatility and prioritise return seeking over capital preservation.*

Principle 8

Signatories monitor and hold to account managers and/or service providers.

Our fiduciary duty to our clients is at the heart of everything we do, so ensuring that our managers and service providers are monitored is extremely important to us.

Internal governance arrangements for outsourced service providers

Evelyn Partners has implemented an appropriate governance structure with clearly defined roles and responsibilities.

The Board has overall responsibility for ensuring that all ongoing outsourcing decisions taken by Evelyn Partners, and activities undertaken by third parties, are in keeping with this policy.

Senior management (first line of defence) is responsible for the implementation of the outsourcing policy and procedures, with day-to-day management assigned to the relationship owners.

Each outsourcing arrangement is assigned a relationship owner (first line of defence), who has sufficient expertise and experience to understand the nature of the services or activity being outsourced and thus is able to manage the associated risks.

Group Risk and Group Compliance (second line of defence) are responsible for reviewing and challenging the effectiveness of the identification, assessment and mitigation of the Group's key risks, including those associated with outsourced service providers. The Group Central Services function provides support and technical advice to relationship owners with respect to the establishment and ongoing management of such arrangements, plus it conducts annual due diligence assessments to confirm service standards remain acceptable and that appropriate governance and controls remain in place.

Internal Audit is the third line of defence and will ascertain:

- that the Evelyn Partners framework for outsourcing, including the outsourcing policy is effectively implemented and in line with applicable laws and regulation
- the adequacy and effectiveness of the assessment of critical or important functions
- the appropriate involvement of governance bodies
- the appropriate monitoring and management of outsourcing arrangements

The Board has delegated authority to the GEC for monitoring the effectiveness of Evelyn Partners outsourcing framework.

GEC periodically receives management information on existing outsourcing arrangements to facilitate monitoring of the effectiveness of those arrangements and the level of risk associated with them.

Critical or important functions

Before entering into any outsourcing arrangement, Evelyn Partners assesses whether the planned outsourcing concerns a critical or important function. As per SYSC 8.1, "An operational function is regarded as critical or important if a defect or failure in its performance would materially impair the continuing compliance of a common platform firm with the conditions and obligations of its authorisation or its other obligations under the regulatory system, or its financial performance, or the soundness or the continuity of its relevant services and activities."

Based on the above, at Evelyn Partners, a relationship is described as critical if any of the following apply:

- a defect or failure of the service being provided would impair
  - continuing compliance with regulatory or statutory requirements
  - financial performance or the continuing ability to conduct business
  - soundness or continuity of investment services or activities
  - ability to service clients in a timely and appropriate way
- the outsourced service, regardless of size, is performing a regulated activity
- where the financial cost in any single financial year is expected to be significant as defined in internal policy

Where the outsourced relationship is one relating to an FCA (UK), JFSC (Jersey) or CBI (Irish) regulated entity, Evelyn Partners notifies the relevant regulator when it intends to rely on a third party for the performance of operational functions which are critical or important for the performing of relevant services and activities on a continuous basis.

Risk assessment

Before proceeding with the initiation of a critical or important outsourcing arrangement, Evelyn Partners ensures that it conducts a risk assessment.

When assessing the risks of a potential outsourcing arrangement, Evelyn Partners balances the expected advantages of the proposed outsourcing arrangement, including any risks which can be managed and mitigated, against any potential risk which may arise as a result of the proposed outsourcing arrangement, taking into account, inter alia, the following:

- Concentration risks, from multiple outsourcing to the same or related service provider
- The level of cyber risk posed by the potential outsourced arrangement
- The level of bribery risk posed by the potential outsourced provider
- The level of tax evasion risk posed by the potential outsourced provider

Where a potential outsourced provider presents a significantly high-risk exposure, Evelyn Partners will not proceed with the initiation process.

Due diligence

The level of due diligence conducted is proportionate to the risks associated with the outsourcing arrangement.

For critical functions, in line with FCA rule SYSC 8.1.7R, before entering into an outsourcing arrangement. Evelyn Partners ensures that the service provider has appropriate and sufficient ability, capacity, resources, organisational structure and, if applicable, the required regulatory authorisation(s) to perform the critical or important function.

Where client data will be held or processed by an outsourced service provider, the provider must also demonstrate robust cyber controls and have adequate cyber insurance.

As part of the due diligence process, technical expertise is sought from the relevant teams, for example, when reviewing the financial statements of the provider, the Finance department is consulted for guidance.

The implementation, monitoring and management of outsourcing arrangements

We consider service providers to be an essential part of our investment process.

Evelyn Partners monitors the performance of service providers on an ongoing basis, with a particular focus on the outsourcing of critical or important functions. In addition, Evelyn Partners ensures that outsourcing arrangements meet appropriate performance and quality standards.

Where indications are identified that service providers may not be carrying out the outsourced function effectively, Evelyn Partners takes appropriate corrective or remedial actions.

Each outsourcing arrangement is also subject to an annual review using the Annual Review Template. This exercise is conducted by the Group Central Services function.

Our contract negotiation team like to sign longer-term contracts. This enables us to maximise our return on our internal training and support efforts.

We hold annual meetings with all providers of important and critical services and research tools to ensure we are aware of any recent developments and upcoming system changes. This enables us to plan any training sessions with our in-house analysts. Our relationships with service providers are reviewed regularly and new providers are always considered when existing contracts are approaching renewal.

Service providers

MSCI

We use MSCI ESG Manager as a screening tool and to provide detailed ESG-related research. We have quarterly meetings to discuss our ongoing needs and how they are being met. If there are circumstances where we have an issue, they are raised as a ticket and tracked until they are resolved or escalated at our quarterly meetings. During these meetings we also arrange training sessions between their industry specialists and our sector specialists. We hold these sessions throughout the year.

In the course of 2023, we have also onboarded new MSCI datasets and systems to enable us to develop our scenario analysis capabilities:

- MSCI's Climate Lab Enterprise (CLE) solution provides us with a comprehensive view of climate-related risks and opportunities across our strategies, portfolios, and companies. Using scenario analysis, it provides a forward looking view of transition and physical risks, based on the NGFS scenarios, and calculates Greenhouse Gas Emissions (GHG) emissions and other climate metrics. It also enables us to look-through collective investments to the climate metrics of the underlying assets (e.g. equity and fixed income assets)
- MSCI's TCFD managed reporting service provides us with scalable TCFD quarterly reporting for our Evelyn Partners managed funds

We have regular meetings with MSCI to discuss any issues we are having with their system, developing requirements and to gain better understanding of methodology. Investment managers and clients often request clarification on figures displayed where the numbers seem inconsistent. We often ask MSCI to provide clarification on the methodology used in their products. This enables us to better monitor the research we receive from them as part of our due diligence checks.

Over the course of the year, we held several sessions with MSCI, on various topics. We also held quarterly meetings throughout the year to enable us to keep up to date with any changes to the system, reports moving from excel to being platform-based and any coverage updates that may be relevant.

Case Study – ESG Data Assurance July 2023

We became aware of an issue surrounding the quality of data affecting a particular ESG data point on MSCI ESG manager. We provided MSCI with examples of the data that was available on company websites which did not relate to the data available on ESG Manager. MSCI decided to investigate the issue.

They followed this up with a meeting with the Head of their Data Team to explain the quality checks that are involved with each data point.

Outcome: *Their investigation revealed the companies we flagged had not been updated and MSCI decided to undertake a review of this data point for all companies.*

Glass Lewis

We use Glass Lewis as our Proxy Voting adviser service. We have quarterly meetings with them to discuss the service we are receiving and any issues we have encountered. We have ensured that there is a Service Level Agreement (SLA) in place.

In addition, we attend various Glass Lewis organised meetings and webinars throughout the year in order to keep up to date with global regulations, policy changes and evolution of their products. We aim to hold in-house training sessions with them to enhance our knowledge around specialist areas such as remuneration and board composition.

We routinely monitor Glass Lewis recommendations. In the event that any contradictions occur, we discuss with internal stakeholders company feedback on recommendations or differences with our policies and check for updates on recommendations prior to voting.

For any vote where Glass Lewis have recommended that we abstain or vote against, this is reviewed by a minimum of the sector specialist, a member of SRIG or a Responsible Investment Sector Specialist and a senior member of the SRI team. If the stock is unmonitored (no longer part of our coverage and MU), the largest material holders are consulted.

Case Study – Voting Data Due Diligence July 2023

We became aware of an issue surrounding the size of our holding in a stock during the voting process. We believed the number was being double counted in the proxy pack we received from our proxy advisers. We alerted Glass Lewis to the issue, who In turn checked the information provided by their data providers.

Outcome: *An error was found, and the proxy pack was republished.*

Broadridge

Broadridge provide the electronic voting system liaising between our safe custody team, our custodians, Glass Lewis and company share registers. Voting records are automatically checked and mismatches identified as part of the process.

We regularly meet with Broadridge to discuss our ongoing requirements and any additional system developments. This will continue into 2024.

Third-party funds – collective investments

All third party fund managers for our monitored collective investments are assessed regularly, including meetings with management (where appropriate) to discuss the fund's portfolio, market changes, management, performance, responsible investment and stewardship. Where a fund falls short in any of these areas, analysts review the fund for a rating downgrade or a removal from coverage. Any change from the rating due to concerns around these factors is communicated with the fund manager and will include suggestions for improvement.

An integral part of our investment process is ensuring we conduct due diligence on all of our monitored collective investments. We ensure that these external managers have been put through a thorough screen. The following factors reflect due diligence queries for all collective investments:

- **Industry bodies:** Ideally the investment firm/company should be a signatory to the UN PRI and the UK Stewardship Code, or another relevant/equivalent body

- **Investment policy:** A fund's investment policy should incorporate their approach to responsible investment
- **Investment process:** The fund manager should be able to describe how ESG is integrated into the investment process
- **ESG resource:** Training should be available to all investment professionals. Additional note will be taken where there is dedicated resource and/or external ESG data providers
- **Stewardship:** Voting and engagement policies will ideally cover ESG issues
- **PAIs:** whether the investment firm/company monitors and discloses on the principal adverse impacts of their investments on sustainability factors

Responsible collectives

Any fund can be eligible for the EEIDD where ESG considerations are well embedded into the investment process, or a robust commitment to positive inclusion. Given that most asset managers will indicate that they have some form of process in place, it is important that any fund meeting the EEIDD has a robust ESG integration process that is used consistently, and which could potentially impact or drive the shape of the portfolio.

As stated under Principle 7, we have reviewed the EEIDD process in 2023. The table below highlights the main changes introduced (see Appendices for further information).

Collectives: Improvements to Due Diligence

Key Changes	Previous Process	Enhanced Process
Name	**Green Tick**	**Enhanced ESG integration due diligence**
Matrix	**Assessment criteria:** Same qualifying criteria for organisation and investments. **Scoring:** Overall score assessed at end of Matrix.	**Assessment criteria:** investment process with standalone criteria. **New Criteria:** candidate funds go through a scoring criterion to determine suitability by achieving less than or equal to 2 points **in each of the six categories:** RI policy, ESG investment process, internal resources, external resources, voting policy, and engagement policy. • Qualifying Points (1-2 points): meets minimum requirements. • Disqualifying Points (3-4 points): lacking minimum requirements.
Process	ESG DDQ to send to fund sales representative as part of Green Tick review.	**Addition of pre-steps to quickly assess if fund is a potential candidate before completing the Enhanced ESG Integration Due Diligence** **Annual Review –** Data-driven analysis to assess qualifying threshold. • completed annually by the RI Transition team. • identify potential candidates and re-evaluate existing funds. • provide information to relevant sector specialists. **ESG Manager negative screening test** • use ESG manager factor list of most common negative screens. • review alignment to fund investment thesis and ESG approach. • MSCI Factor List Name: *Enhanced ESG Integration Due Diligence.* **ESG DDQ** • for the sector specialist to ensure all relevant information is available. • incentive to check on Door or other materials rather than sending to fund sales representative.
Guidance	Main Collectives MU and sectors.	**Best Practice:** details examples of how funds achieve qualifying thresholds as well as sector-specific requirements, capturing nuances across infrastructure, property, and passives. **Sector/asset class specific guidance:** inclusion of Passives and sectors such as Infrastructure, Energy Transition, Ethical Bonds

Funds that are on our EEIDD list are subject to the following procedure:

- Complete the Evelyn Partners ESG DDQ and provide manager's responsible investment policy, voting and engagement policy and any associated presentations or marketing
- Review material and follow up with relevant questions
- Summarise key points and any areas for ongoing review in Recommendation Notes and Update Notes
- Identify whether the fund is suitable for a EEIDD using the matrix provided and submit for approval to ESG specialists
- Review EEIDD as part of annual fund update meeting

Some examples of questions from our ESG Door DDQ are:

- Do you have a policy on responsible investing?
- How, if at all, are ESG considerations incorporated within your investment process?
- What are the internal and external ESG resources used in your investment process? Do you use any ESG data providers?
- Do you share your ESG data externally (whether to Morningstar or Lipper) for means of comparison? If not, please explain why
- Which ESG training and CPD resources are available for your staff? Please state if you have designated staff who work on ESG issues within your firm
- Do you have a policy on voting and engagement?
- Does your firm engage directly with companies on ESG issues? If so, please provide practical examples of engagement and outcomes

See Appendices for further details.

Looking ahead

Looking to 2024, we plan to continue having both quarterly sector specialist meetings and our regular review meetings with both MSCI and Glass Lewis. Our Corporate Action team hold monthly meetings with Broadridge or more frequently if needed during Proxy season.

Case Study – Assessment of emerging markets fund's stewardship policies demonstrating consistency across asset classes

Our analyst had an annual call with the fund management team in July 2023. The fund invested in shares of high-quality companies which were positioned to benefit from, and contribute to, sustainable development. The analyst assessed the fund's engagement policy which explicitly covered ESG issues and presented a reasonable escalation policy. Engagement was fully integrated into the responsibilities of the investment team and their conviction in each company was influenced by engagement activities and the response of management to their engagement efforts. They believed in having direct contact with the management and/or directors of companies in which the fund is invested. The update meeting included constructive communication about performance, corporate governance, environmental and social issues, or other matters affecting stakeholder interests and long-term shareholder value.

In addition to direct engagement with companies, the Sustainable Funds Group was involved with collaborative engagements as both a participant and a leader, for example on deforestation, plastic pellets, micro insurance, and access to medicine. The group also used the UN PRI's collaborative platform to work with other investment firms and asset owners to collectively encourage companies to improve their approaches to ESG Issues.

The team generally looked to engage with companies initially in a private and confidential manner, which is conducive to achieving a positive outcome. If those activities were to fail, they would consider more public forms of engagement. The group provided an annual engagement booklet, which included an update on engagement activity with companies during the period, an update on thematic and collaborative engagement initiatives, and a round-up of proxy voting results.

Outcome: *The fund's engagement approach was in line with our expectations. Our analyst maintained a view of the fund as an appealing option for exposure to emerging markets and a top picks rating was upheld on our collectives MU.*

Case Study – ESG integration and engagement of global equity fund

Our analyst had an update meeting with the fund's portfolio managers in November 2023. In terms of meeting our expectations for ESG integration and active stewardship, the fund team hired a Responsible Investment Analyst in 2021 who was responsible for ensuring the team was adhering to their ESG restrictions and alignment. Certain exclusions such as thermal coal, cluster munitions, and tobacco had been set at 10% of revenues to exclude producers. The fund had holdings in Imperial Brands until last year but investor conversations, in part led them to sell their holding.

Additionally, they had developed an in-house ESG scorecard based on the SASB materiality matrix as they wanted a proprietary, and systematic, way of analysing ESG data independently. Their qualitative view impacts on their company voting, with a tendency to vote regularly against remuneration (30-40% of management teams). The fund management team would always seek to engage with companies when they intend to vote against them.

Outcome: *This fund's approach to ESG integration and active stewardship meets our expectations of our fund managers.*

Case Study – Hedge fund with strong stewardship philosophy

This hedge fund professed to drive positive environmental outcomes via an equity market neutral strategy with solid ESG integration and engagement in its investment process. As part of its commitment to be a responsible investor, the fund team engaged with investees on non-financial issues. This explicitly addresses UN PRI's Principle 3, to which the fund was a signatory, and which states that, "*We seek appropriate disclosure on ESG issues by the companies we invest in*".

The fund management team had communicated that disclosure was an area of engagement focus for 2023. They believed that environmental solutions companies listed in North America and Asia had an opportunity to distinguish themselves from peers by providing SFDR disclosure. The team wrote a letter to each company annually which covered the reasons for holding the stock and their expectations for delivery. They would also provide these letters to all holders of the fund and were happy to be part of collaborative efforts with other investors.

For this fund, where possible, long positions enable voting. Where the fund had to hold contracts for difference (CFDs) for economic or tax reasons, it would also hold a small proportion in shares to ensure that they were able to show management their vote. Any negative votes, together with the reasons behind them, were flagged to management via a letter to the company. Long positions tended to be in companies where the team agreed with the management strategy and the company's impact. The team would seek to engage with management around strategy, but they did not expect to be part of any activist efforts to change companies materially. At the recommendation of Evelyn Partners, the team were considering writing to holdings where they held short positions.

The fund management team also explained they were establishing a 3-person advisory panel, which would meet quarterly and would oversee company engagements, as an external voice on ESG policies/engagement and risks in the fund.

Outcome: *This fund was exemplary in its asset class in demonstrating ESG integration led by a strong engagement philosophy. In October 2023 following our engagement, we updated the rating of this fund to positive.*

Principle 9

Signatories engage with issuers to maintain or enhance the value of assets.

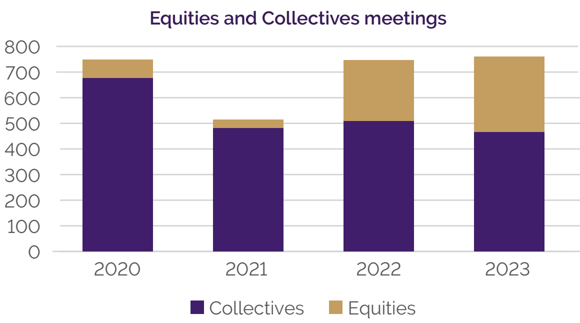
As a responsible investor and as a signatory to the United Nations Principles for Responsible Investment (UN PRI), Evelyn Partners is committed to ensuring that we monitor and engage with investee companies on behalf of our clients.

We are committed to improving the transparency of our reporting to enhance and demonstrate value for our clients. As noted within our responses to Principle 1 and Principle 6 we are long term investors, with most clients receiving a bespoke service that allows them to exclude stocks and sectors or tilt portfolios towards desired outcomes. We are active stock pickers so meeting and engaging with companies is a normal part of what we do. We meet and report to each client regularly to keep them informed and to make sure we know when their circumstance or constraints change.

Rationale for our stewardship approach

We believe that by engaging with companies we can ensure the investee company takes into consideration our concerns, thereby improving the outcome for our clients.

We apply the same broad engagement principles across all assets and geographies. We are most effective in our home territory (UK) and in more specialist areas such as investment trusts and AIM stocks, where we have a proportionately larger voice.



Annual sector/equities meetings held by sector specialists

We monitor investee companies on relevant matters including:

- Strategy
- Financial and non-financial performance and risk
- Capital structure
- Social, environmental impact and corporate governance

Structure – investment management

Our Responsible Investment pillar was set up by the Corporate Responsibility Committee (CRC) in 2022, which reported to the Board (superseded by the ESG Board committee in 2023). All aspects of our investment strategy are under the oversight of the Investment Process Committee (IPC). IPC has delegated day-to-day responsibility for matters related to:

- Responsible investment and active ownership to the Stewardship & Responsible Investment Group (SRIG)
- Direct investments to the Direct Investment Group (DIG)
- Collective investments to the Collective Investment Group (CIG) and
- Fixed income to the Fixed Income Investment Group (FIG)

There are representatives of SRIG on DIG and CIG to ensure ongoing ESG integration and stewardship prioritisation.

In 2023, we have also added an engagement procedure to our RI documentation to provide transparency on the different types of engagement and how they are managed within the investment department.

The table below provides an overview of our engagement types described in the document.

Types of engagement

Collaborative engagement
Collaborative engagement occurs when a group of investors come together to engage in dialogue with companies. The discussions can be on a wide range of topics, although there will generally be a single thematic issue under consideration. Through these memberships we are able to engage more meaningfully with companies where we might otherwise represent a small shareholder minority. By speaking to companies with a unified voice, investors can more effectively communicate their particular concerns to corporate management. The result is typically a more informed and constructive dialogue.
Engagement as part of sector analysis (BAU)
Sector specialists regularly meet with the companies that are under their coverage to discuss a range of topics from ESG issues to traditional analytical metrics. Key material risks have been shared with the sector specialists: these should form part of regular discussions with companies.
Proxy Voting engagement
Proxy Voting engagement happens as a result of our Proxy Voting process. In cases where we deem it necessary, we will abstain or vote against management resolutions. In these cases we always write to the Chair of the Board to open a dialogue with the company. We may also choose to engage with companies ahead of casting our vote requesting additional information.
Targeted sector and thematic company engagement
Targeted company engagement focuses on a smaller group of companies i.e. by sector or by theme. They usually result in mailing a set of targeted questions to specific companies.
Reactive engagement
In the event of a large market event or controversy (such as the Russia Ukraine conflict) we would consider engaging with relevant companies as a result.
Client led engagement
Specific clients might request that we engage on their behalf. These requests are reviewed by SRIG and other parties on the basis of various factors, including their alignment with Evelyn Partners existing position and the client's specificity. This is different to client specific voting.

Collective investment managers – most of our assets are invested in collectives (funds)

Our business is driven by the power of good advice principally to advisory and discretionary clients, who comprised £45 billion of total assets under management (AUM) as of end of December 2023. We believe that a combination of investing in direct and collective assets tends to serve most of our clients, although we tailor our discretionary portfolio management service depending on client specific requirements. Approximately 60% of our advisory and discretionary managed assets were invested in collective investment funds.

Expectations of external fund managers in our monitored universe

Case Study – Collective investment fund manager not a signatory UK Stewardship Code

In June 2023, our analyst had an update meeting with the team of this fund which aimed to increase the value of shareholders' capital over the long term through investment in US-listed equities. The manager became a signatory to the UN PRI in 2022 but is not a signatory to the UK Stewardship Code.

The fund team utilised Sustainalytics to provide guidance on how companies managed their non-financial risk exposure and leveraged S&P Global's ESG Risk Ratings to support their ESG Risk Modifier assessment. In the cases where ESG factors posed additional risk to a company's future cash flow, the Investment Committee would apply a higher discount rate to offset that risk or account for the risk in future cash flow estimates. They also conducted governance assessments of companies and regularly engaged with them on non-financial risk factors. Stock-specific updates were presented at the meeting and our analyst was confident that, given their direct approach with companies and in-depth research, the fund team proactively considered ESG-related issues in how it might affect longer-term valuation and general environmental and/or societal impact.

Our analyst had follow-up meetings with this fund team in 2024 where their engagement strategy was discussed. The fund engaged with portfolio companies on all issues the Investment Committee believed could add valuable external perspective. In governance-related calls, members of the compliance department discussed planned governance changes, upcoming proxies, and ESG-related risks.

Outcome: *Although the fund manager is not a signatory to the UK Stewardship Code, our analyst believed the fund team were engaging on ESG risk factors in a constructive manner, given the time spent meeting with company management teams and the levels of investment research undertaken.*

We acknowledge our fiduciary duty and requirement to scrutinise the policies and effectiveness of external fund providers. During our due diligence, we seek to establish whether fund teams share the values we ascribe to regarding responsible investment principles and practices that support long-term investment returns.

As will be seen during the process description outlined below, our sector specialists are aware of whether the managers are UN PRI and UK Stewardship Code signatories, with additional due diligence being performed for those without one or other commitment. We include examples of the additional due diligence conducted in these very limited occasions given that over 97% of our collective AUM in the MU are managed by UN PRI signatories and 84% of monitored collective AUM are managed by UK Stewardship Code signatories.

We expect all fund managers to follow the principles of the UK Stewardship Code where possible. However, we are mindful that differing approaches to ESG integration and stewardship may be appropriate, depending on the asset class and investment geography. Accordingly, we adapt our expectations to a certain extent on these factors where relevant.

For those few managers in our MU without UK Stewardship Code signatory status, the majority are in asset classes where active stewardship may not be practical e.g. hedge fund strategies taking short-term positions which renders engagement challenging, or overseas funds that are not covered by the UK Stewardship Code. In terms of overseas funds, many are covered by their own relevant country standards. For example, a high proportion of our holdings in specialist Japanese funds are signatories of the equivalent Japanese stewardship standard.

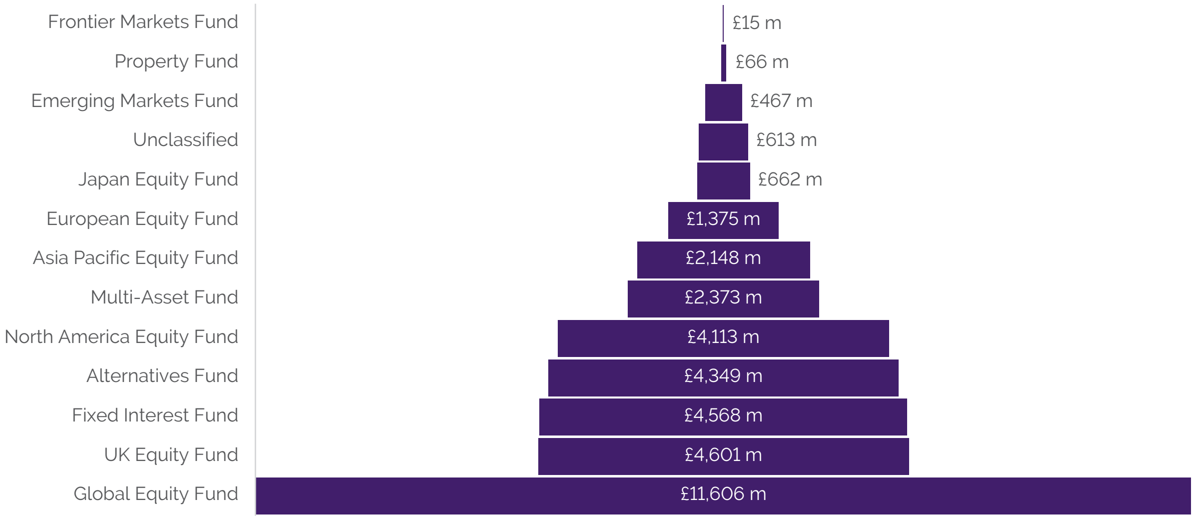
These companies may support the UK Stewardship Code's objectives and strive to implement its principles within their business strategies and investment decision-making processes, yet they have not formally committed to the code by becoming signatories.

Process

All third-party collective investments that are formally monitored by sector specialists are subject to ESG-related due diligence as part of the overall coverage of the fund. Close to 100 collective investments analysts currently cover around 500 funds across 16 sectors, including open-ended funds, investment trusts and offshore specialist funds.

Analysts regularly meet with fund managers and closely monitor the performance of the MU. Our collective investments analysts conducted 466 meetings with external managers in 2023.

Collective investments: AUM by sector



Coverage includes a review of the fund managers' own responsible investment policies including adherence to the principles of the Stewardship Code and their UN PRI submissions where applicable.

Evelyn Partners collective investment analysts' due diligence cover topics including ESG integration, ESG risks and stewardship policies. Together with other sources of information, they contribute to the sector specialists' annual update meeting with the fund manager and their relevant collectives. They subsequently document the outcomes from those engagements in an Update Note. These are published on our RI Hub for wider dissemination to investment managers.

In a business like ours reaching over 30 offices, it is important that information is easily accessible. Every sector – whether for direct or collective investments – is presented annually at the Wednesday Investment Meeting (WIM) open to all investment managers, including relevant ESG considerations as part of the overall investment analysis.

As stated under Principle 7, we launched the Evelyn Partners Door Due Diligence Questionnaire (DDQ) in autumn 2022 and an enhanced ESG due diligence process called EEIDD in 2021 and both processes have been reviewed in 2023 (see Appendices for further details). These processes all work to inform our view of the collective investment managers' ESG approach prior to meetings, but, more importantly, act as points of engagement as can be seen from the case studies below.

Some examples of the content of the meeting and outcomes are included in this section, based on the most significant sectors of our collective investments for Evelyn Partners clients (Global Equities, UK Equity, Fixed Income).

We have not included the names of the collective investment fund managers to ensure that we can continue to influence their activities in the future.

Case Study – Ongoing due diligence on ESG integration and active stewardship in top 10 holding (global equity)

Our analyst had a positive annual update meeting with the head of the fund in May 2023, which is a core holding for responsible portfolios and was upgraded the prior year given ESG process improvements. The primary focus of the fund was on companies with durable business models and established resonant brands. The fund's wider team continued to strengthen in 2023, which had helped drive engagement agendas on holdings already in the portfolio. Our analyst had a discussion with the fund manager about these engagement activities. Examples provided were that the fund team had been engaging with:

- Albemarle, the largest lithium producer in the world, to understand how the company was effectively managing energy and water use associated with extraction in their Chilean operations
- ANTA Sports, a provider of sports apparel in China, to verify whether 100% of its cotton sourced was compliant with UN Global Compact (UNGC) standards and that the business did not rely on modern slavery and in addition that material progress had been made on auditing the supply chain

Outcome: *Our meeting with the fund management team reinforced the recommendation of the fund as a top pick on our collectives MU, as one that follows constructive engagement practices.*

Case study – Multi-year monitoring process of global equity fund

As part of our research process, our analyst contacted this manager in April 2022 to request details of their ESG integration and stewardship policies which included details of the fund's overall voting record. A specific example was also requested, and the fund used Electronic Arts where a multi-year engagement was described, focusing on the firm's remuneration practices. This included multiple engagements, voting against the management in 2020 and 2021 and ultimately exiting the stock. Below is an extract of our analyst's assessment:

In 2021 the fund manager saw progress in the company's compensation practices and this engagement allowed them to gain some comfort on their long-term shareholder interest. The company appointed a new compensation committee chair and was beginning to shift some of its practices in line with recommendations the fund manager and others had offered in recent years. Ultimately however, their concerns were not adequately addressed and this, amongst other factors, led to them to exit the company.

A further engagement was initiated by Evelyn Partners in October 2022 regarding a specific holding, Safran, where the fund manager was questioned over the ESG-related risks associated with the holding. There was also a follow up meeting after the response was received from the fund manager, where our analyst was satisfied with the response provided. The fund manager's assessment stated that the company was a leading supplier of engines and technology components to the aerospace market, and they considered them to be rooted in sustainable technology innovation. Specifically, the company spent >70% of the company's Research and Development (R&D) resources specifically to improve environmental efficiency of their products. The fund manager believed there was potential for the company to generate increased revenue growth stemming from its investment in Research and Technology (R&T) to drive environmental efficiencies in the aviation industry.

The fund manager considered governance (business ethics), labour management, health & safety, product quality and safety and toxic emissions and waste as the most material risk factors to the company's business model. They challenged Safran on their exposure to defence as part of their ongoing engagement with the company which did not classify the ESG risk at the company as very severe.

Our analyst met with the fund manager in December 2023, where the investment strategy was reiterated. The fund manager stated that the fund was a long-term business owner, seeking tailwinds for compounding and to limit their investors' exposure to all risks. Their view was that ESG opportunity and risk could not be separated from business opportunity and they would never invest in a company that harmed its customers or failed its internal ESG risk assessment. Safran continued to be a holding in 2023.

Outcome: *Our multi-year engagements with this fund management team clearly highlighted their active and consistent approach in managing material ESG risks associated with their holdings. The fund maintained a top pick rating on our collectives MU.*

While most of our assets are in equities and funds investing in Global and US equities, we also undertake due diligence in asset classes where we have less exposure but that have relevant investment processes. The example below in the property sector helps demonstrates our consistency across asset classes in our approach to ESG integration and stewardship due diligence.

Case Study – Listed real estate fund's approach to ESG integration and engagements

In April 2023, our analyst met with the manager of this global fund investing in listed real estate securities. The fund aimed to provide capital growth over the long term by investing in the quoted equity securities of real estate investment trusts (REITs) and real estate-related companies listed on regulated exchanges around the globe.

The fund's core philosophy is centred around a belief and conviction in the need for a truly active approach to managing assets in the sector. The fund team had thoughtfully integrated ESG analysis into their process, identifying key areas of focus they believed would have meaningful impact on longer-term returns, placing significant weight on company engagements to understand ESG credentials and actively promoting positive change that would foster sustainable growth. A key step in the fund's investment valuation framework was the use of a quality scorecard which measured companies in terms of management, ESG, balance sheet quality, asset quality, thematics, and trading liquidity.

Company engagement formed a key pillar in the fund management team's approach to understanding ESG credentials and actively promoting positive change that would foster sustainable growth. The team sought to proactively meet with senior management of most companies at least once a year and with supervisory boards, where applicable. Given the team's global presence, they were able to build strong relationships with management and enhance their engagement capabilities. The team committed to a minimum of 10% of companies within the portfolio to having approved or committed carbon emission reduction targets and actively engaged with companies to encourage the adoption of science based targets or a verified commitment to adopt science-based targets. The team communicated that they would continue to monitor the progress of these companies against those targets.

Outcome: *The fund's approach to ESG integration and engagement in the property sector highlighted a solid approach to active ownership in line with our expectations. Our analyst's view of the fund remained favourable and the fund maintained a positive rating on our collectives MU.*

Below are some examples of engagements based on social and governance factors to reflect the different lenses which we consider when engaging with external fund managers for collectives.

Case Study – Fund engagement on social and environmental issues (North America Equity – Nike and UPS)

Our analyst had a meeting in October 2023 with the fund team which had a good record of actively engaging with companies to improve behaviour. Stewardship through active engagement was key to this fund's approach with a particular focus on board composition and management alignment, improved reporting standards and transparency and sustainability. Our analyst was concerned with Nike, where the Australian Strategic Policy Institute had identified the likely inclusion of cotton sourced from forced labour camps in Xinjiang province of China in their supply chains. The fund had used this controversy as an opportunity to purchase the stock and explained to our analyst that they had spoken to management at Nike who committed not to use cotton from Xinjiang.

The discussion also covered how another holding in the fund, UPS, was failing to meet its sustainable aviation fuels targets. The fund had engaged with the company to understand the challenges in setting a net zero emissions goal and learned about the limitations of current technologies for long haul flights. UPS had explained that the failure was a result of their reliance on improving technology that had not materialised. In Q2, the fund's holding in UPS was sold on ESG-related grounds. The fund team acknowledged that the company were doing their best to set goals in relation to sustainable aviation fuel usage but from a materiality perspective, improvements would not be enough to move the needle within their required timeframe.

Outcome: *We believed the fund is operating in line with our expectations of engagement on our behalf and a positive rating was maintained on our collectives MU.*

Case Study – Engagement on investment trust's governance, with board composition in focus, and testing consistency with investment approach (Deere & Co.)

As part of our update meeting with this fund in August 2023, we had a discussion around board succession and composition. Two members of the board had exceeded 9 years of service and shareholders had been challenging the Chair on board composition given the length of tenure of the two members. The Chair explained that several directors were highly experienced and that the board comprised of 40% women, highlighting that diversity had been considered.

A further engagement was initiated in October regarding the trust's continued investment in Deere & Co. which was important to understand in view of the specialist investment approach being taken by this fund. The company had long been a figurehead in opposition to the 'right to repair' movement since it moved away from the production of hardware to software. The fund managers explained their justification for inclusion stemmed from the long history the company had from its software, to reducing both water and fertiliser use, combined with the concessions management recently made to make their manuals available to engineers to repair.

Outcome: *We were comfortable with the fund manager's responses to our questions with regards to governance and the stock example.*

Case Study – Fund manager stewardship due diligence on social factors (Adidas)

Our analyst met with the firm's Head of Responsible Investment and fund manager in March 2023 to discuss their holdings in Adidas, among other issues. This company had been found by the Australian Strategic Policy Institute to be sourcing cotton from forced labour camps in Xinjiang province of China. The fund management team recognised that the problem was pervasive in the industry but justified the purchase on the grounds that Adidas had prohibited its suppliers from sourcing from Xinjiang and believed the company had best-in-class controls. In addition, Adidas had reduced its exposure to production in Xinjiang. The fund had subsequently sold this holding.

Outcome: *Our engagement with the fund management team illustrated commitment of the fund to pursue a stewardship approach that included engagement on social-related issues.*

Direct assets

While most of our assets under management are invested in collective investments, 28% of our advisory and discretionary AUM are in direct assets (equities and fixed income). Despite the gradual extension of direct equity research into the US in recent years, the key geographic exposure of our investment holdings remains in the UK. We conducted 293 meetings with direct investments in 2023. We focused our engagement efforts on companies within our MU of 306 companies. Our participation is contingent on the size of our holdings, The number of meetings has significantly increased throughout 2023.

We have had limited ability to engage on direct fixed income as we are not a large enough direct fixed income investor to be consulted on the covenants in loan agreements at issue. We actively monitor the ESG issues related to the company itself and our fundamental analysis places significant weight on balance sheet issues, especially gearing levels and interest cover.

Where we have concerns about the performance or strategy of an investee company, or where we have reason to believe that our clients' rights as shareholders are being compromised in any way, we will, in appropriate circumstances, escalate our involvement with investee companies. Whilst we do not believe in the micromanagement of management teams, in some cases we consider that it is necessary. This could include issues with the board, independence or remuneration.

In cases such as these, we would open a dialogue and write to the company or meet directly with management to express our concerns. In some circumstances we would be willing to act collaboratively with other investors.

As a firm with largely collective investments as the principal investment mechanism, we are cognisant of the need to ensure that our resources are being used as efficiently as possible whilst engaging on material issues of concern. To that end, we prioritise opportunities based upon the scope of the engagement and the materiality of the issue on which the engagement is based with reference to our own direct shareholdings. Our engagement and voting activities for this are detailed below.

Identifying engagement opportunities

Weekly sector specialist meetings take place where each sector is analysed, and key material factors and controversies are flagged alongside engagements where relevant. Engagement priorities are discussed at regular DIG and CIG meetings, principally based on whether we think they are detrimental to the long-term valuation of the business. These engagements are led by the sector specialists and supported by the SRI team and overseen by SRIG.

For direct holdings, over 80 sector specialists conduct in-depth research into UK and overseas equities by holding various meetings throughout the year, as well as undertaking media and other desk-based research.

Collective analysts currently cover around 500 funds across 16 sectors, including open ended funds, investment trusts and offshore specific funds. The analysts regularly meet with fund managers and closely monitor the performance of covered funds.

Collaborations

We choose to take part in larger collaborative engagements through memberships with collaborative engagement platforms such as The Investor Forum, Climate Action 100+, Find it, Fix it, Prevent it modern slavery collaboration the Corporate Mental Health Benchmark Nature Action 100 and Farm Animal Investment Rick and Return Initiative (FAIRR).

Through these memberships we can engage more meaningfully with larger issuers where we represent a small shareholder minority. Examples of relevant collaborative engagements can be found under Principle 10.

Engagement following Proxy Voting

In cases where we deem it necessary, and where SRIG members agree, we will abstain or vote against management resolutions. Where we abstain or vote against management resolutions, we always write to the Chair of the Board to explain our reasons. If a satisfactory response is not possible, we may look to escalate this further. Our escalation process would include, but is not limited to:

- Holding additional meetings with management specifically to discuss concerns
- Intervening jointly with other institutions on particular issues
- Submitting resolutions
- Meet directly with management to discuss concerns
- Disinvest if we felt that clients would be at a material disadvantage

A few examples of our engagement with issuers for our most material holdings in direct investments are outlined below.

Case Study – SBTi and CDP engagement (22 targeted issuer engagement)

In 2023, we initiated a project to encourage investee companies with high levels of carbon emissions within their operations and low GHG emissions disclosure practices to raise their ambition. We identified the companies we actively monitor from the three most carbon intensive sectors of energy, materials, and utilities. We focused on companies that did not have a Science Based Target (SBT), had not committed to work on a SBT or were not disclosing to CDP. Out of our total emissions coming from directly held equities summing to about £16 billion in AUM across advisory, discretionary and execution only mandates (which can be seen in the chart below), 40% was from companies within the three high carbon intensive sectors already with Science Based Targets. 40% of our emissions arose from 22 companies was covered by this engagement. Around 19% of the total emissions were out of the scope of the engagement, since they were not in the three highest carbon emitting sectors identified as the priority.

Top 3 Carbon Intensive Sectors Identified:

Energy

Materials

Utilities

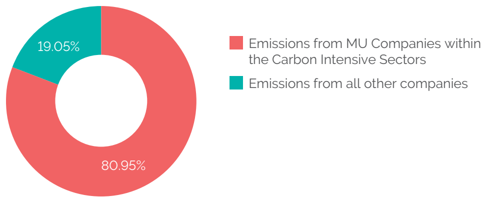
There are 43 companies in our MU that are within these sectors.

Total Evelyn Partners Emissions from Direct Investments = 719,254.44 tCO2e

This covers direct investments in all service types amounting to £16.3bn AUM as of Dec 2023.

The 43 companies make up 80.95% of our total Scope 1+2 emissions from direct investments as of Dec 2023.

Direct Corporate Investments Emissions Breakdown



Of the 43 companies within the analysis, 22 do not have one or more active carbon emissions reduction targets approved by the Science Based Targets initiative (SBTi) or have not committed to work on a science-based emission reduction target aligned with SBTi's criteria.

These 22 companies amount to 40.88% of the Evelyn Partners Scope 1+2 Emissions from Direct Investments.

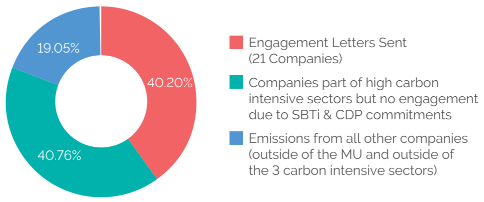
39.85% of emissions are from the remaining companies that have one or more active carbon emissions reduction targets approved by the SBTi.

0.23% of emissions are from the companies that have committed to work on a science-based emission reduction target aligned with SBTi's criteria.

Of the 43 companies within the analysis, 6 do not report its carbon emissions to the CDP. Additionally, 5 of these companies fail to meet the SBTi requirement as well.

These 6 companies amount to 1.97% of the Evelyn Partners Scope 1+2 Emissions from Direct Investments.

SBTi & CDP Engagement Emissions Breakdown



Each of the 22 companies that we identified as being in scope of our engagement was sent a list of questions, depending on their level of climate-related disclosures. This is a sample of the questions:

- Is it your intention to make commitments with the Science Based Targets Initiative (SBTi) or another externally verified target setter over time? If so, when?
- Are you intending to join an externally recognised system for emissions disclosures such as the Carbon Disclosure Project or similar in the future? If so, when?
- Has management (with board oversight) identified key risks and opportunities to the business arising from climate change and considered mitigation plans? If so, please provide details or, if not, when this is expected to take place?

We received a series of early responses in late 2023 and will continue with this engagement initiative in 2024, with additional reporting on this initiative in next year's report.

Case Study – Climate engagement with largest direct emitter (Shell)

We had a series of communications with the Investor Relations department from Shell in the autumn of 2023, culminating in a meeting with the specialist ESG team in November. This was following the changes in management and subsequent refinement of corporate focus. With the departure of the Head of Sustainability as part of the shake-up, the key questions from a responsible investment risk and opportunities perspective were whether the company would continue to commit capital towards renewable energy products and honour their net zero commitment. The interim operational Scope 1 and 2 CO_2e reduction goal of 50% by 2030 was ambitious compared to its peers.

The risks for an oil major based in Europe are multi-faceted, including significant policy risk, consumer consumption pattern changes, cost of capital issues from activist shareholders and physical climate-related problems from extreme heat. Our meeting went into the details of their responses to our questions on these issues.

The opportunities are also apparent, with rapid growth in global renewable energy markets. While our discussions suggested some downside risk to their EBITDA forecasts in some segments, notably hydrogen, there was positive news from the already rapid EV rollout in Asia.

In respect of their critical net zero transition plan, all targets, including the key interim Scope 1 and 2 reductions have been reviewed. The new management have committed to these, and from a responsible investment perspective, this is significant given the volume of emissions generated.

Outcome: *Shell is taking a moderate line between those investing more heavily in renewable options (TotalEnergies) and those investing more in upstream growth (Chevron). This middle ground may continue to appeal to those who wish to own positions in the sector. The series of engagements with Shell's IR and specialist ESG teams helped to inform and assist our investment analysis.*

Case Study – Biodiversity engagement with Severn Trent

We attended a group meeting with the CFO in late 2023 where the time was shared between several institutions, and we ran out of time for our questions on biodiversity. We approached the management team at the event, and they offered the opportunity to engage with their Head of Sustainability. Water companies in the UK have been pilloried for their poor environmental record but Severn Trent hailed itself as following best practice in sustainability. It was important to ascertain whether this was the reality.

A series of detailed questions relating their existing biodiversity disclosures was compiled and sent in late 2023. These were:

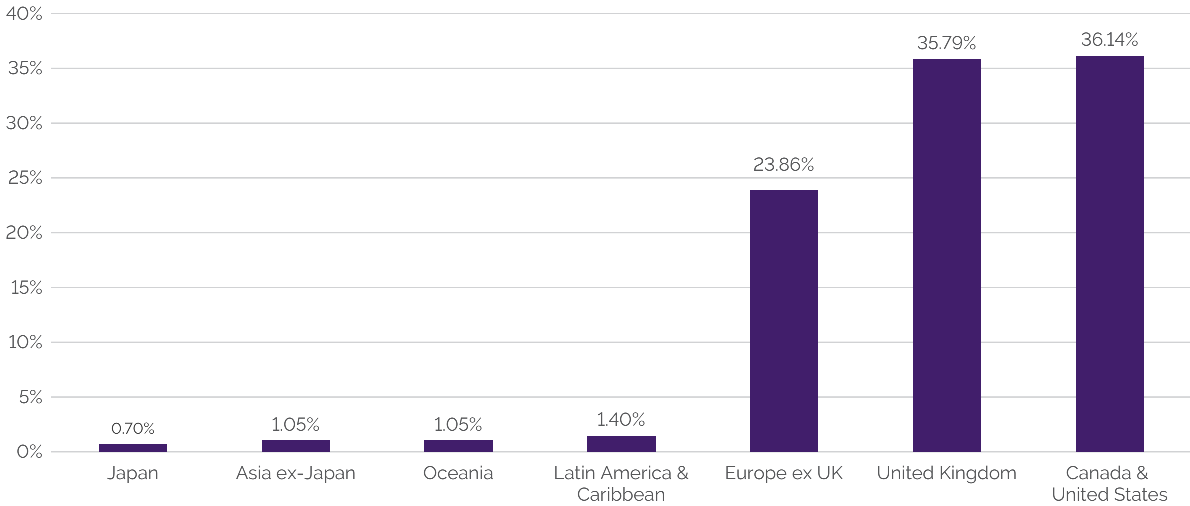
1. Would it be possible to explain the criteria behind 'biodiversity improvement'.
2. In broad terms, assuming that these numbers are potentially hard to pin down, what variety of trees have been planted, and where were they sourced?
3. We note that Phase 1 and 2 has covered 63/500 sites. Understandably this has focused on priorities in terms of former SSSIs (Site of Special Scientific Interest). Can you explain the grassland management techniques now being employed in these priority sites, including source/provenance of wildflower seed, cutting and risings disposal regimes and/or grazing of livestock including type and time of year?
4. It is understood that high level mapping is now taking place across a broader range of sites during Phase 3. Can you estimate in terms of hectares and number of sites the amount of land that will undergo specific site audits along the lines undertaken in Phase 1?
5. Severn Trent is operating several impressive farming related engagements that are all undoubtedly assisting in reducing polluting farming activities. Is it possible to divide these engagements between one-off/or annual payment agreements and longer-term agreements along the lines of Natural England's Countryside Stewardship? Or are all of the options renewed annually/single events?
6. Severn Trent is a substantial landowner and a figure of 281 tenancies are in place. It is laudable that regenerative agriculture is being encouraged. Can you explain how this is working on the ground? Potentially by adapting tenancies as and when they are renewed? If so, what kind of limitations around inputs do you set?
7. Following the engagement of 98% of farmers with your 21 farm advisers within the Catchment, are you seeing any changes in water quality or runoff in specific areas?
8. We note the £320m spent on environmental sustainability. Would it be possible to provide a general breakdown of this expenditure together with future plans?

During the communication we explained how we commended their exemplar approach, and that by asking these questions we showed our support for their beneficial land management practices that ultimately improve water quality, their reputation and ultimately their service.

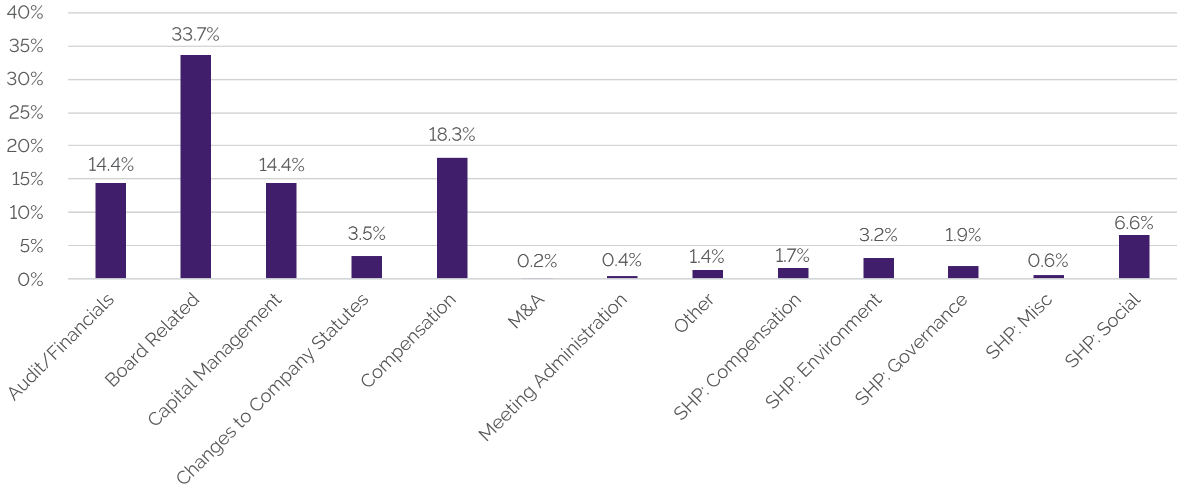
Outcome: *The company provided a detailed response to all of the questions, demonstrating their commitment to improvements in nature. In return we showed that institutional investors are prepared to ask detailed questions to avoid the risk of greenwashing and that they also support a nature positive approach to the environment.*

The following graphs illustrate the breadth of our engagement for direct investments and voting activity across different regions and themes. See Principle 12 for further details of our voting activities in 2023.

Proxy voting engagement by region



Proxy voting engagement by theme



Source: Glass Lewis

Case Study – Direct engagement following a vote (board gender diversity)

Following on from a recommendation received from our proxy advisers, we were advised to vote against a member of the board for insufficient board gender diversity at their AGM. The nominee served as chair of the nominating/corporate governance committee and it was the responsibility of that committee to either disclose a rationale for the board's insufficient gender diversity or a timeline for addressing the issue. In order to make a decision, we needed further information, so our lead analyst on the stock set up a meeting with the Director of Investments at the company to discuss the matter.

The company did not subscribe to the Glass Lewis research and did not understand the recommendation to vote against a female board member as it would be a hindrance rather than making positive progress in this area, as they were looking to have more women on the Board.

Outcome: *We agreed that it would be counterintuitive to vote against a female board member which would ultimately lead to less female representation on the board. We discussed a need for more transparency surrounding the progression towards gender diversity on the board. Accordingly, we did not vote against, despite the recommendation of our proxy advisers.*

Principle 10

Signatories, where necessary, participate in collaborative engagement to influence issuers.

We choose to take part in larger collaborative engagements through memberships with platforms, such as The Investor Forum, Climate Action 100+, Find it, Fix it, Prevent it and the Corporate Mental Health Benchmark, to amplify the impact that we can make.

Through these memberships we can address various systemic risks and wider themes that we consider important, as well as to learn from industry peers. We have learnt that engaging in this way has not only enabled us to better hold boards to account, but also provided the opportunity to attend various engagement meetings, where companies are proactive and can engage with investors before making decisions.

THE INVESTOR FORUM

The engagements we consider with The Investor Forum are put to us after the key issues have been identified and constructive solutions have been developed. The process of engagement follows the process detailed below:

1. Principles

- Is it proactive and grounded in economic rationale?
- Is there a long-term focus?
- Is there likely to be a constructive solution?

2. Prospect of support

- Is there a reasonable prospect of securing sufficient support among the Company's largest shareholders to foster a meaningful dialogue with the Company?

3. Safe and secure

- Is there a reasonable expectation of conducting the engagement in accordance with the Forum's policies and procedures and all applicable laws and regulations?

They use their Collective Engagement Framework to define the terms of their engagements.

Since becoming members of The Investor Forum (in December 2019 via our legacy Smith & Williamson business), we have been involved in several collaborative engagements. The process to become part of one of these engagements involves a check to ensure that we have holdings in the company in question and a conversation with the lead analyst to ensure it is something we believe we could add value to.

The lead analyst will then work alongside the SRI team throughout the engagement. They attend all meetings and report back on these engagements to both DIG and SRIG.

Whilst we believe transparency is important, we ensure that feedback on these ongoing engagements is not made public in our voting and engagement reports until the engagement is completed.

Case Study – Vistry Group plc – The Investor Forum – remuneration and governance

As part of the Investor Forum, we engaged with Vistry Group plc due to controversies around the remuneration policy and wider governance issues around Board succession. The objective of the engagement was to ensure a broad based debate on management incentives, and to convey the Board views from across the shareholder base about capital distribution and long-term value creation.

The Investor Forum wrote to the Chair to outline a range of investor perspectives to help inform the board's next steps following the AGM outcome which saw a 47% vote against the remuneration report. The participants met with the Chair to discuss issues raised, providing input into the company's extensive engagement to inform revisions to the remuneration approach and the company's distribution policy. Following the General Meeting voting outcomes and results announcement, The Investor Forum wrote another letter to the Chair to provide further feedback, noting that participants supported the new strategy and were keen to see concerns over board composition and appointments to key roles addressed before plans to succeed and replace the Chair was pursued.

Outcome: *The objectives of sending a clear message and facilitating a debate to ensure that the views of the long-term institutional shareholder had been heard and were met. The company consulted widely with shareholders to understand perspectives on capital allocation. Board governance issues came increasingly into focus as the engagement proceeded and the implications of the various changes became apparent.*

Case Study – Water usage and waste engagement – The Investor Forum

The Investor Forum's Stewardship 360 (S-360) programme brings investors together to work on wider material issues that impact companies, industries and the environment in which they operate.

In 2023, a Working Group was created to focus on the UK water industry given the complex and diverse range of challenges facing the industry including pollution, wastage, scarcity, and water quality. The working group set out three objectives:

1. "Targeted engagement with the listed water companies to better understand the material effects of proposed license changes and readiness of companies to address future challenges."
2. "Work with companies to understand the competing expectations and ensure credible plans are being procured, which shareholders and debt financiers can assess them against."
3. "To engage with regulators to demonstrate how investors assess company priorities as well as plans for delivery against their environmental and performance objectives and agreed commitments."

As part of the initial stages of the programme, The Investor Forum discussed various issues with members and industry experts, such as Water UK, to determine which key issues needed to be addressed and the competing priorities of stakeholders and how these affected company actions and outcomes.

The Investor Forum then arranged meetings with the Chairs of three listed water companies (Pennon plc, Severn Trent plc, United Utilities plc) to explore the volume and scope of reported issues and the role of competing regulatory frameworks in directing capital towards essential actions. They also wrote to the sector's three major regulators (Ofwat, Defra, and The Environmental Agency) and the All Party Parliamentary Group, to inform them of our concerns.

Outcome: *The insights gained from the engagements have helped investors better understand the challenges to the industry. This initiative is a multi-year challenge and these insights will be used to expand engagements in 2024.*

Climate Action 100+ is the largest investor engagement initiative on climate change. We joined this collaborative initiative in 2020, as part of our legacy Smith & Williamson business. Climate Action 100+ now has more than 700 signatories responsible for a record USD 68 trillion in assets under management.

Through CA100+ we are engaging with 166 of the world's biggest listed corporate emitters and driving faster corporate climate action in line with the global goal of reaching net-zero emissions by 2050 or sooner.

During 2023, Climate Action 100+ launched its second phase which will build on success of the first phase by evolving its core goals. In particular:

- Implementing a strong governance framework which clearly articulates the board's accountability and oversight of climate change risk
- Taking action to actively reduce greenhouse gas emissions across the value chain, including engagement with stakeholders such as policymakers and other actors to address the sectoral barriers to transition
- Providing enhanced corporate disclosure on and implementing transition plans to deliver on robust targets

As part of Phase 2 we will continue to engage with Walmart but have joined two further working groups, Rio Tinto and TotalEnergies and hope to report further on these engagements in our next report.

Case Study – Walmart – Climate/GHG emissions disclosures

We have been engaging with Walmart as part of CA100+ since becoming members. We have previously discussed with the company about their emissions reporting and progress against GHG targets. In 2023, our meeting with Walmart was an opportunity to offer a disclosure comparison with another company in the consumer-related sector, which allowed investors to understand emissions reduction initiatives in context.

Outcome: *We will continue to engage with Walmart as part of CA100+ and hope to see progress on the company's emissions reduction targets and renewable energy goals among other indicators.*

Climate Action 100+ at a glance

700+
Investor signatories

$68
Trillion AUM

170
Focus companies

77%
of focus companies have net zero commitments

93%
of focus companies have some level of board oversight

90%
of focus companies have aligned with TCFD recommendations

Find it, Fix it, Prevent it

Women, children and migrants are disproportionately more vulnerable to being trapped. Modern slavery occurs in every country in the world and in every business sector, with the construction sector having one of the highest incidences of modern slavery. The latest data shows the number of people trapped in modern slavery has grown over the last five years, driven by Covid, conflict and climate change.

Of those trapped in forced labour, 86% are in the private sector, meaning the business sector is exposed to modern slavery risks. Not only is legislation increasing the requirements on businesses to address this across the globe but also stakeholder expectations are growing.

Evelyn Partners is proud to be a part of the Find it, Fix it, Prevent it modern slavery collaboration, which represents £12.8 trillion AUM and over 56 investors.

We believe that modern slavery will exist in the supply chains of almost every business in the UK. We acknowledge that modern slavery is hidden and difficult to tackle and are welcoming discussions with two UK construction companies on how they are addressing it.

We are currently members of two working groups looking at Balfour Beatty and Persimmon. We have had meetings with both companies during 2023 and following the updated sector scorecards we received at the end of 2023, we will be continuing conversations with both companies in 2024.

Seasonal Workers Scheme

We believe that workers entering the UK under the Seasonal Workers Scheme (SWS) should be protected from unseen costs and potential debt bondage, and that no worker should pay for employment.

In 2022, we joined the SWS collaborative engagement programme (a workstream of Find it, Fix it, Prevent it) to engage with companies on their use of goods procured through the use of the SWS.

The SWS was launched in 2019 and allows employers in the horticultural and poultry production sectors to recruit overseas workers who are allowed to do certain types of work (such as crop harvesting), in edible and ornamental horticulture for up to six months in any year.

We are concerned that migrant workers in the UK, recruited and employed through SWS operators, are being obliged to pay illegal fees to agents and middlemen in addition to other fees. The payment of recruitment fees, often only made possible by taking out excessive loans at high interest rates, or by signing over assets and property, can mean that workers are left in a position of debt bondage, and therefore at high risk of forced labour across the horticulture sector in the UK.

We think that there should be a well-designed and robust process for the recruitment and employment of seasonal workers in the UK food system. We believe that without further intervention more and more workers are at risk.

Case Study – Engagement Lead with Find it, Fix it, Prevent it (construction sector)

We are currently involved in the project focused on the construction sector, acting as the lead engager for Balfour Beatty. In 2023, we wrote to the company asking for a meeting to discuss their approach to modern slavery. We specifically asked if the company had found modern slavery in its operations or supply chains in the past year and if not, if they were able to demonstrate they have rigorous processes in place to look for it. We had a call with the company to discuss various topics including internal and external audits, creating clearer policies, and targeted training.

Outcome: *In 2024, we will review the company's modern slavery statement and continue discussions around areas for improvement.*

Corporate Mental Health Benchmark

Evelyn Partners became a founding signatory to the Corporate Mental Health Benchmark in July 2022.

Mental health deterioration was identified for the first time in the Global Risk Report[1] for 2021 as one of the top risks to businesses as a result of the pandemic. In recent years, there has been increased acknowledgement of the important role mental health plays in achieving global development, which was highlighted by the inclusion of mental health in the Sustainable Development Goals (SDGs) in 2015.

New mental health research which was published by Deloitte ('Mental health and employers, The case for investment – pandemic and beyond', March 2022) revealed that the cost to employers of poor mental health has increased to up to £56 billion in 2020-21 compared to £45 billion in 2019, with mental health being the leading cause of absence from work.

Employers have a 'duty of care' to their employees, and must do all they reasonably can to support their health, safety and wellbeing. It is now more important than ever to protect employee mental health.

As part of this benchmark, the top 100 UK and Global companies were assessed on a set of 27 criteria (which can be found here) and based on their publicly available information, were ranked from Tier 1 to 5.

All companies were contacted prior to engagements commencing in Q1 2023.

The coalition aims to target those companies in Tiers 4 and 5 which received the lowest scores. We understand this is a relatively new issue for companies who are feeling their way towards best practice by developing more detailed reporting. The role of this benchmark is to create an opportunity for continued improvement.

Case Study – Lead Engager Nike and easyJet – Corporate Mental Health Benchmark

We are the lead engagers for easyJet Plc and Nike Inc, both of which fall into Tier 5 of the benchmark. We sent letters out to both companies outlining their performance in the benchmark, particularly noting that neither company had a formal mental health policy. Additionally, Nike had not assigned board or senior management responsibility for overseeing workplace mental health and easyJet had not assigned the day-to-day operational responsibility for workplace mental health.

Both companies responded to our letter. In their response, Nike directed us to information on their approach to employee benefits, well-being, and mental health benefits on their Impact Report as well as their approach to inclusion. EasyJet provided a more detailed response, outlining its processes for supporting employees, including an Employee Assistance Programme, a confidential reporting tool, and a company-wide engagement survey among others. They also mentioned the team had recently set up a specialist department focused on health and wellbeing which will allow the company to continue the support currently provided to employees but also move forward in the coming years. EasyJet will be able to update us on progress over the coming years as the department establishes itself.

Outcome: *We will continue to engage with both companies in 2024 on their updated corporate mental health assessments and hope to see improvements in their performance.*

1. WEF_The_Global_Risks_Report_2021.pdf (weforum.org)

Nature Action 100 (NA100) – new initiative 2023

We joined the Nation Action 100 collaborative initiative in 2023.

Biodiversity loss is the third most severe threat humanity faces, according to the World Economic Forum, and investors and companies play a critical role in addressing this threat.

With more than half of the world's GDP reliant on nature and its services, depleting natural capital creates significant operational, regulatory, litigation, and reputational risk for investors and businesses alike, and negative economic repercussions globally. Hundreds of billions of global crop outputs are at risk annually from pollinator loss, posing operational risk for companies sourcing agricultural commodities. According to some estimates, tens of billions of dollars in assets could be at risk of stranding over the next five to 10 years if companies continue to produce commodities which are linked to deforestation.

Nature Action 100 aims to drive greater corporate ambition and action in eight key sectors that are deemed to be systemically important in reversing nature and biodiversity loss by 2030. Scientists say this is a critical threshold and action is necessary to avoid more catastrophic climate change and the attendant economic consequences.

The Investor Expectations for companies are a set of timely and necessary corporate actions that aim to protect and restore nature and ecosystems. The expectations outline six actions that investors are able to call on companies to take in the related areas of: Ambition, Assessment, Targets, Implementation, Governance, Engagement.

We joined the engagement teams for Associated British Foods and also for Sherwin Williams and will report on these engagements in 2024.

Farm Animal Investment Risk & Return Initiative (FAIRR) – new initiative 2023

We joined the FAIRR collaborative initiative in 2023.

FAIRR is a collaborative investor network that raises awareness of the environmental, social, and governance risks and opportunities in the global food sector. We have been involved in five of FAIRR's engagement initiatives: restaurant antibiotics, animal pharmaceuticals, working conditions, protein diversification, and waste and pollution.

We look forward to reporting on these collaborations in 2024.

Collaboration engagements – with fund managers for collective investments

Additional examples of collaborative engagements with fund managers for some of our collective investments which meet our expectations are shown below.

Case Study – Fund Manager approach to collaborative engagement meeting our expectations

This fund manager shared our support of collaborative engagement. In their response to our request for information in 2023 they explained they can improve their ability to make a material impact by joining initiatives and partnering with others. They said that "a combination of both individual and collective approaches enabled us to meet the investment needs of our clients, as well as helping to address the wider sustainability issues that could impact investment portfolios. A group of investors pushing for progress on a particular topic, e.g. climate, is an efficient way for participants to contribute to better functioning markets. Collaborating with others not only amplifies the message, but by sharing experiences and views in collaboration with industry colleagues increases the level of knowledge within the industry more broadly."

Like Evelyn Partners, this manager was a member of The Investor Forum in 2023. They helped to create a tool kit for investor action on modern slavery, and this work was taken forward throughout 2023. They also took part in a number of other collaborative initiatives with Investor Forum aimed at encouraging companies – in this case banks (Standard Chartered, Barclays, NatWest and HSBC) – to implement effective climate-related commitments.

In addition, they had several representatives on IA-led committees and working groups focussed on improving best practice and providing input into policymaking and regulation. These included areas such as risk, corporate reporting and regulation, as well as thematic areas such as climate change. Evelyn Partners also worked with the IA in 2023.

Climate Action 100+ – they became members in 2019 and, like Evelyn Partners, they continued to be active members in 2023.

Outcome: *This fund manager met our expectations for collaborative engagement and continued to be covered by the analyst during 2023.*

Case Study – UK income fund's active participation in collaborative engagement programmes (Shell)

Our analyst had an annual update meeting with the fund managers of this UK equity fund, who are committed to being a voice for sustainability and for responsible business behaviour, and holding investee companies to high standards.

The manager has been a member of Climate Action 100+ since 2021 and the fund team are support investors in the collaborative engagement with the integrated oil and gas company Royal Dutch Shell plc. The engagement initiative with Shell was designed to encourage the company to promote the energy transition and reduce their carbon footprint. Over time, the manager expanded their involvement with CA100+ and joined four engagement working groups in 2023. The team are also co-leads for Centrica and have been working with the other CA100+ co-lead to develop an effective partnership with the company. In 2023, they were able to secure Centrica's signature on a letter sent by investors to the UK's Minister for Energy Security and Net Zero encouraging amendment to the mandate provided by His Majesty's Government to the UK energy regulator, OFGEM, an organisation for which the minister's department had an oversight responsibility. In November, it was announced that OFGEM's mandate was amended to better reflect government ambition in relation to becoming a net zero economy.

Outcome: *This fund's collaborative engagement actions in 2023 highlighted a strong approach to stewardship in line with our expectations.*

Principle 11

Signatories, where necessary, escalate stewardship activities to influence issuers.

Direct investments

Where we have concerns about the performance or strategy of an investee company, or where we have reason to believe that our clients' rights as shareholders are being compromised in any way, we will, in appropriate circumstances, escalate our involvement with investee companies. Whilst we do not believe in the micromanagement of our investee companies, in some cases we consider it to be necessary. This could include issues with board independence or remuneration. In cases such as these we would open a dialogue and write to the company or meet directly with management to express our concerns. We are willing to act collaboratively where appropriate. In cases where we deem it necessary, we will abstain or vote against management resolutions. If a satisfactory response was not possible, we would look to escalate this further. Our escalation process would include, but is not limited to:

- Holding additional meetings with management specifically to discuss concerns
- Intervening jointly with other institutions on particular issues
- Submitting resolutions
- Disinvest if we felt that clients would be at a material disadvantage

As explained previously, we systematically vote on discretionary holdings which are on our direct equity MU, any company on our Alternative Investment Market (AIM) monitored list and any situation where our materiality threshold is met. This currently amounts to around 800 UK and international companies. This also includes investment trust funds listed on the UK market to which we apply the same principles and approach.

For these companies, the Stewardship team and members of the SRIG committee review all resolutions for which our proxy voting provider, Glass Lewis, recommends us to vote against the management proposals or to abstain from voting. We systematically assess these recommendations.

When they are aligned with our voting policy and we believe they serve the best interests of our shareholders, we follow this advice. However, we also engage with the company so that they have the opportunity to provide more information and allow us to the opportunity to change our vote. If we think that the company does not offer a satisfactory answer, we may then vote against or abstain. After that, we monitor if there is any progress from the company in the year up to the next AGM. A lack of progress can trigger an additional engagement according to the severity of the issue.

In cases where we are still invested in the company by their next AGM and the same questionable resolutions are put to a vote, we inform the company that continued inaction will lead us to further escalate our approach. If the company still does not provide an adequate reply, we vote against or abstain. We will then inform the sector specialist covering the stock and he or she will follow up with the company on these issues in their next meeting with the company. We will then assess the answer from the company and subsequently decide what additional steps can be taken if necessary (please refer to the different actions mentioned in the list above).

In 2023, we engaged with over 200 companies on their shareholder resolutions.

Collective investments/other asset classes

Whilst we recognise it may not always be possible to engage across different markets and asset classes, we would consider joining with other shareholders to do so if necessary. We would also consider engaging with foreign regulators if this were the only option available to us.

We also speak with our proxy voting advisers and ESG screening providers regularly to keep up to date on any engagements they may be pursuing.

Escalation in the time period was generally limited to UK equities as this asset class was easier to escalate in the UK, our main investment geography, and followed by USA equities. Collaborative opportunities are greater in these two countries, but also provide the best opportunity for a relatively small minority shareholder to exert influence. We intend to extend collaborative engagements to other geographical regions in the future.

Looking ahead

In 2024 we have planned to review our current escalation process and documentation to reflect our updated processes and RI priorities and identify any further actions for continued improvement.

For our collective investments, escalation occurs with external fund managers, where relevant.

Case Study – Fund downgrade from positive to neutral: Escalation partly based on inconsistencies in the ESG policy

Our analyst had a meeting with the fund team in January 2023 to review the process. It was operating in emerging markets with a sustainability-related investment philosophy.

The fund manager described the portfolio as best in class holdings and unconstrained, but our analyst detected some inconsistencies within the approach. For example, there was a big holding in Tencent, a Chinese technology conglomerate, which their reporting material showed had 14 process-related red flags from their matrix and yet was a large position alongside TSMC, a Taiwanese semiconductor manufacturing and design company.

In addition, there were several other financially related factors that made the analyst come to a more negative view than had been previously held.

Outcome: *The fund was downgraded from positive to neutral following the meeting and further analysis, in part due to the inconsistency found in the sustainable process. It was considered that other funds in this area had superior sustainable credentials.*

Case Study – James Cropper Plc

Over the past two years, we have been concerned about the lack of independent directors on the board, together with the significant shareholders influence of the founding family members. We expressed these concerns through our votes against management. We were also concerned with the insufficient response to shareholder dissent. We have written to the Chairman to express these concerns and have followed this up with a meeting to discuss the matter further. Our engagement with the Chairman made it clear that there was little intention to change the family's position or board composition.

Outcome: *As we saw no action on the company's behalf to take these matters into account, a decision was taken to remove this stock from our AIM model and we have been reducing our investment holding.*

Case Study – Ongoing engagement with Hipgnosis that began directly in 2022, but continued in collaboration with other investors via Investor Forum in 2023 and also directly at board level

Evelyn Partners had started engaging with Hipgnosis Song Fund in 2022. It was then raised by an investor at The Investor Forum in September 2023, following the announcement of terms for a significant transaction and a period of unsatisfactory investor engagement. The company was under scrutiny from the media and there were several active shareholders on the register who were proactively seeking change. The Investor Forum wrote to the, then, Senior Independent Director (SID) in October, prior to the AGM, on behalf of six smaller shareholders, including Evelyn Partners. Whilst the SID responded promptly, no further dialogue was deemed necessary by engagement participants pending the outcome of the AGM. Subsequent to this exchange and following further actions taken, the SID stepped down before the AGM, the board membership was refreshed and a new Chair was appointed.

In addition to the engagement through The Investor Forum, our analyst also met with the board in autumn 2023 following direct engagement in 2022. Evelyn Partners subsequently voted against the board, following the lead of the AIC (Association of Investment Companies).

Outcome: *In October 2023, the company lost its continuation vote. Ultimately, our direct engagement activity as shareholders and collaborative engagement with The Investor Forum helped to influence changes to the membership of the board and Chair, providing greater independence, stronger oversight and controls, and a fresh perspective .*

Case Study – Illumina – shareholder activity brought about fundamental changes at company level

The 2023 proxy season saw a high-profile proxy contest between activist investor Carl Icahn and Illumina Inc. The contest's origins tied back to the decision to close Illumina's $8 billion acquisition of GRAIL Inc. amidst ongoing antitrust and competition review by the US Federal Trade Commission (FTC) and the European Commission (EC). Illumina was required to absorb GRAIL's large operating losses, accrued a provision of $458 million for a potential EC fine for potential breach of standstill obligations (and over 50% higher than the potential $300 million provision Illumina would have owed if divesting of GRAIL when the order came through), and also took a $4 billion impairment charge.

In reviewing Glass Lewis recommendations, we decided to vote in favour of dissident nominees Vincent Intrieri and Andrew Teno as well as withhold from voting for the election of CEO Francis deSouza and Chair John Thompson. We were concerned with Illumina's operating performance, value creation and overall corporate governance, but our decision to vote this way was primarily underpinned by substantial concerns to close the GRAIL transaction against the instruction of antitrust regulators. The additional Directors and Officers (D&O) insurance coverage and timing of the purchase lacked transparency and efficacy, even if the coverage was reasonable within the context of the company's expanded scope. We believed the incumbent board, including the CEO and Chair should be held accountable for the multitude of risks, costs and uncertainties which continued to be associated with Illumina's determination to close the GRAIL transaction.

It was decided that voting for two out of the three Icahn nominees would enhance advocacy for shareholders whilst still retaining other directors with a wealth of life sciences industry experience and would retain a balance of control between incumbent directors and new appointments. Our analyst recognised that the board was limited in practical course of actions regarding the GRAIL transactions in the current regulatory divestiture/appeals process, both then and after the AGM. However, two new directors were considered to offer new perspective and experience.

Outcome: *We opted to vote in favour of the gold proxy card (the activist investors) for two of the suggested directors in order not to fully hand reins over to Icahn (who wanted three). Even though Icahn lost the proxy battle, Illumina's CEO resigned shortly afterwards, having seen the lack of shareholder confidence in his leadership at the AGM. Following the AGM, our analyst followed the news flow to see how the turnaround went with new leadership but decided to drop coverage and removal from our MU as a final point of escalation.*

Principle 12

Signatories actively exercise their rights and responsibilities.

Our voting process focuses on discretionary holdings which are on our direct equity MU, any company on our Alternative Investment Market (AIM) monitored list and any situation where our materiality threshold is met. This currently amounts to around 800 UK and international companies.

We use our own voting policy, which was developed alongside the Glass Lewis voting policy. Much of the detail has already been discussed earlier in the document, including under Principle 5.

Our **Voting Policy**, available on our website, focuses on issues such as:

Leadership

Companies should have a talented board with a proven record of protecting and delivering value, where individuals have a diverse background, record of positive performance and a breadth and depth of experience. We believe in routine director evaluation, including independent external reviews, and periodic board refreshment to foster the sharing of diverse perspectives in the boardroom and the generation of new ideas and business strategies.

The board will most effectively perform the oversight necessary to protect the interests of shareholders if it has a majority of independent NEDs. Ideally, only independent directors should serve on a company's audit and remuneration committees while most members should be independent. Moreover, there should be at least one member of the audit committee with relevant financial experience.

Effectiveness

There should be a clear division of responsibilities at the head of the company between the running of the board and the executive responsibility for the running of the company's business. No one individual should have unfettered powers of decision. The board and its committees should have the appropriate balance of skills, experience, independence and knowledge of the company to enable them to discharge their respective duties and responsibilities effectively.

The Committee Chair is responsible for their actions. There should be a clear disclosure of which director is charged with overseeing each committee.

The audit committee should act independently from the executive, to ensure that the interests of shareholders are properly protected in relation to financial reporting and internal control. We assess audit committees based on the decisions they make with respect to their monitoring role, and the level of disclosure provided to shareholders. We believe that the committee requires a minimum of three members – or two for smaller companies.

Remuneration committees have a critical role in determining the remuneration of executives. We believe overall remuneration levels should be reflective of the company's size, relevant peer group and recent performance.

Nomination committees are responsible for ensuring that the board contains the right balance of skills, experience, independence and knowledge to effectively oversee the company on shareholders' behalf. This process includes managing the terms and disclosure of board appointments, both in initial recruitment and on an ongoing basis, with an emphasis on progressive refreshment. The committee must set out the board's policy on diversity, with specific reference to gender, including details of any internal objectives and progress against them.

Accountability

Each company should be headed by an effective board which is collectively responsible for the long-term success of the company. To achieve good governance requires continuing high-quality effort. The Board should promote shareholders' interests and consist of mostly independent directors held accountable for actions and results related to their responsibility.

The board should establish a formal and transparent process to review the company's corporate reporting, risk management and internal control principles. A director's history is often indicative of future conduct and, as such, we typically vote against directors who have served on boards or as executives of companies with a track record of poor performance, over-remuneration, audit or accounting-related issues and/or other indicators of mismanagement, poor oversight or actions against the interests of shareholders.

We take note of any significant losses or write-downs on financial assets and/or structured transactions. Where we find that the company's board-level risk committee contributed to the loss through poor oversight, we would vote against such committee members on that basis.

Remuneration

We believe executive remuneration should be linked directly with the performance of the business that the executive is charged with managing. The policy should provide clear disclosure of an appropriate framework for managing executive remuneration.

We expect remuneration policy to comply with best practice. When a company's executive remuneration policy deviates from these guidelines, we expect a clear and compelling rationale for why the proposed structure or practice is appropriate for the company. If the company has failed to sufficiently disclose the terms of its policy, we may vote against the proposal solely on this basis.

Remuneration should be sufficient to attract and retain proven talent but should not be excessive. We examine executive pay on a case-by-case basis. A clear, succinct, and comprehensive disclosure of the company's remuneration structure and practices is essential for shareholders to make an informed assessment. No director should be involved in deciding his or her own remuneration. In the event of significant opposition to remuneration proposals, we will assess the responsiveness of the committee to shareholder concerns.

Incentives tied to long-term performance provide the strongest alignment with the interests of long-term shareholders.

Most of the incentive opportunity should generally be subject to a performance period of at least three years. A significant proportion of incentive pay-outs should be delivered in equity to promote alignment with shareholder interests. Incentive programmes should generally include specific and appropriate performance goals and a maximum award amount per employee. Remuneration committees should retain reasonable discretion to ensure that pay outcomes are justified and linked to performance and that the remuneration policy remains appropriate.

Performance

Performance measures should be carefully selected to relate to the specific business/industry in which the company operates and, especially, the key value drivers of the company's business.

We look at the performance of these individuals in their capacity as board members and executives of the company, as well as their performance in different positions at other firms. We would consider voting against an individual should they fail to attend at least 75% of board meetings. We are sceptical of directors who have a track record of poor performance.

Remuneration committees should retain a reasonable level of discretion to ensure that pay outcomes are justified and linked to performance, and that the implementation of the remuneration policy remains appropriate. A full copy of our voting policy can be found on our website, alongside our voting report. All entities follow the same voting policies.

Evelyn Partners respects the Glass Lewis policy, and where we differ tends to be in the detail rather than the broad principle. Evelyn Partners is able to make use of the detailed understanding it's sector specialists have of its investments which can allow a more nuanced and less rules-based approach.

In most cases, Glass Lewis recommend voting with management. Where they recommend a vote against management, SRIG assess the vote and pass it to the relevant direct/collective sector specialists where necessary for advice. SRIG includes, amongst others, Head of Charities, Head of Investment Risk, and ESG Specialists. Engagement with companies to improve ESG performance of investee companies is a vital part of our responsible investment process.

Occasionally, our view differs from that of Glass Lewis, mainly on compensation and board related issues. Our in-house sector specialists conduct in-depth research by holding meetings with companies' management each year. We believe that our specialist knowledge can put us in a superior position, especially when it comes to AIM, investment trusts and UK stocks and therefore we are better placed to make investment and voting decisions.

Monitoring

Every night, Evelyn Partners sends the list of companies for which it has voting rights to Broadridge, which then sends ballots to Glass Lewis.

Broadridge relies on Evelyn Partners to report the correct share positions, but if it is notified of an 'overvote' or mismatch, then it refers the matter to Evelyn Partners for investigation. Glass Lewis monitors incoming and outgoing ballots, to ensure they are processed via the automated feed to Broadridge.

Fixed income

For fixed income assets we have found that the instruments we invest in and the size of our investments have limited our ability to influence terms and conditions in contracts. We are not shown terms prior to issue and deal through secondary markets.

We are constantly looking for ways to improve and develop our processes, which our FIG are monitoring at their regular meetings.

Stock Lending

We don't lend stock as we do not see this activity as being consistent with our fiduciary duties, and do not have the regulatory permissions to do so.

Climate

When looking at transparency, we understand that shareholders require comprehensive disclosure of companies' climate and sustainability-related risks. We would consider voting against relevant directors in instances where a company has failed to provide adequate disclosure to allow shareholders to evaluate how a company is considering issues of climate-related issues and risks.

For heavily emitting or highly exposed companies, we will consider how a company's strategy has incorporated issues related to climate change, by evaluating, for example, whether the company has established GHG reduction goals.

In order to determine how risks related to climate change are established throughout an organisation, we would carefully evaluate the incentive structures driving the top levels of an organisation and to what extent climate and other environmental risks are built into a company's reward structures.

Shareholders may put forth resolutions related to a company's climate program. These shareholder proposals will be evaluated on a case-by-case basis taking careful consideration of the proponent's request, the company's climate-related performance, and how the company performs compared to its peers.

ESG

Regarding governance, we acknowledge the importance of ensuring that the board is comprised of directors who have a diversity of skills, backgrounds, thoughts, and experiences.

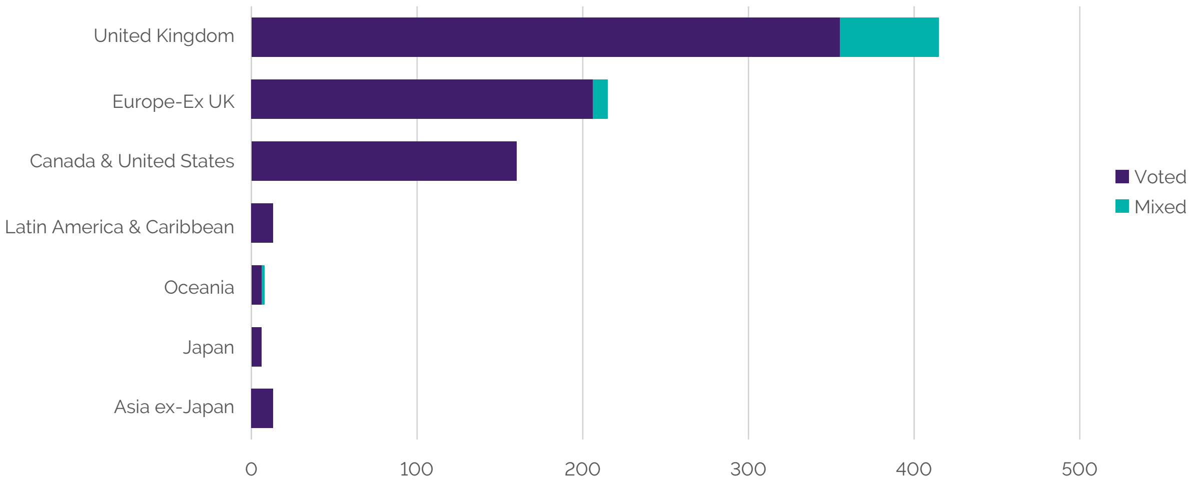
We would consider voting against compensation plans where a company has both failed to provide an adequate link between pay and performance, and the company has neglected to incentivise environmental and social performance.

We would support environmental and social shareholder proposals aimed at enhancing a company's policies and performance on such issues.

Evelyn Partners 2023 voting activity

Please see below for details or our voting activities during 2023.

Meetings by region and vote status

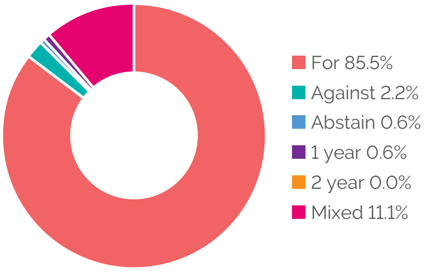


Source: Glass Lewis

We voted at 830 AGMs, covering 29 markets.

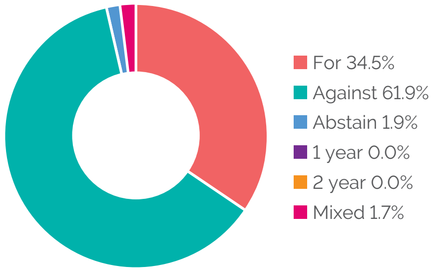
This amounted to 12,044 resolutions and 501,845 ballots.

Management proposals – votes cast



Source: Glass Lewis

Shareholder proposals – votes cast



Source: Glass Lewis

With most of our voting, we vote in line with management, but on occasion our opinion may differ from that of management, and we have either voted against or abstained. Most of our votes against management are either Board or Compensation related.

An example of this was when we decided to vote against the remuneration report at Antofagasta's AGM. We were concerned with the lump-sum 20% increase to the CEO's salary, indicating that remuneration was not directly linked to performance. The company also lacked a convincing rationale to justify the necessity for such an increase.

We also decided to vote against the election of Philip Meeson at the Jet2 Plc AGM. We believe that the remuneration committee should consist solely of independent directors, in line with the UK Code. However, the remuneration committee did not meet this criteria and as chair of the company, we believed that Mr. Meeson was considered an insider of the committee.

Furthermore, at Spotify Technology S.A.'s AGM we voted against the election of Christopher Marsall, who served as lead independent director and was the senior-most independent director of the board. We believed the company had poor levels of disclosure on its board diversity policies and considerations and thought that it was appropriate to hold nominee Marshall responsible, given his seniority in the board.

Votes vs Management

Proposal Category Type	With Management	Against Management	N/A	Mixed	Total
Audit/Financials	1,918	24	0	258	2,200
Board Related	4,784	134	5	524	5,447
Capital Management	1,583	13	0	268	1,864
Changes to Company Statutes	377	6	0	60	443
Compensation	1,137	150	1	148	1,436
M&A	26	1	0	2	29
Meeting Administration	47	3	0	5	55
Other	124	1	8	20	153
SHP: Compensation	31	7	0	1	39
SHP: Environment	58	24	0	3	85
SHP: Governance	24	61	5	3	93
SHP: Misc	11	13	0	0	24
SHP: Social	129	47	0	0	176
Total	**10,249**	**484**	**19**	**1,292**	**12,044**

Source: Glass Lewis
Note: SHP means Shareholder Proposals, all other proposals emanate from management

Votes vs Glass Lewis

Proposal Category Type	With Glass Lewis	Against Glass Lewis	N/A	Mixed	Total
Audit/Financials	1,939	3	0	258	2,200
Board Related	4,882	41	0	524	5,447
Capital Management	1,595	1	0	268	1,864
Changes to Company Statutes	381	2	0	60	443
Compensation	1,263	25	0	148	1,436
M&A	26	1	0	2	29
Meeting Administration	50	0	0	5	55
Other	124	3	6	20	153
SHP: Compensation	38	0	0	1	39
SHP: Environment	81	1	0	3	85
SHP: Governance	82	8	0	3	93
SHP: Misc	24	0	0	0	24
SHP: Social	173	3	0	0	176
Total	**10,658**	**88**	**6**	**1,292**	**12,044**

Source: Glass Lewis
Note: SHP means Shareholder Proposals, all other proposals emanate from management

Voting in practice – 2023 case studies: for/against management

Case Study – L'Oréal: Re-election of director – AMEND VOTE DECISION TO FOR MANAGEMENT

While our advisers suggested voting against a specific director at L'Oreal, we ultimately decided to support her. Glass Lewis's advice was to vote against the re-election of Fabienne Dulac at the 2023 AGM due to the fact she attended less than 75% of board meetings during the recent fiscal year and served on too many boards. We wrote a letter to the company noting we would vote against the director and that the board had not provided an explanation for her attendance. The company responded to the letter, noting that the director had attended 71% of meetings but was also a member of two board committees: the Audit Committee and Human Resources and Remuneration Committee, where she respectively had 80% and 100% attendance rate. Additionally, Ms. Dulac had an average attendance of 88% of board meetings during her 4-year tenure. As a result, Evelyn Partners decided to amend the vote decision and vote in favour of her re-election.

Outcome: *87.4% also voted in support of Director Dulac and the proposal was carried.*

Case Study – Intertek Group plc: Election of chairman – VOTE AGAINST MANAGEMENT

We were recommended by Glass Lewis to vote against the election of the Chair, Andrew Martin, at Intertek Group plc's 2023 AGM. The company operated petroleum and chemical laboratories and inspection facilities in Russia but did not issue any statements regarding a possible discontinuation of its operations in Russia following the Russian invasion of Ukraine. It was our view that the absence of disclosure on this matter constituted a substantial failure to properly inform shareholders of material risks. We believed that the Chair of the board should be held accountable for this failure.

At the 2022 AGM, we also voted against the Chair on the same grounds and were disappointed to see no progress in the company's disclosure around its operations in Russia. We hope the company takes these concerns into account.

Outcome: *Only 13.8% voted against the election of Mr. Martin, and the proposal was carried.*

Voting in practice – 2023 case studies: shareholder resolutions

Glencore Plc

We viewed the shareholder proposal favourably regarding the "Climate Action Transition Plan at 2024" at the 2023 AGM. We believed the requested disclosures would be useful for shareholders when evaluating the company's 2024 climate plan.

Outcome: *This resolution received support from 28.8% of all votes. After the AGM, Glencore consulted with its shareholders and undertook a review of its Climate Action Transition Plan.*

American Water Works Co. Inc.

A shareholder proposed a motion regarding a racial equity audit at the AGM. The proposal requested that the company publish a third-party audit assessing the racial impact of its policies, practices, products, and services. We welcomed further commitment to employee diversity and inclusion, particularly given the demographics of where the company operated, and voted in favour.

Outcome: *This resolution received support from 39.1% of all votes and was not carried.*

PepsiCo Inc.

We reviewed a shareholder proposal regarding the adoption of a policy which required two separate people to hold Chair and CEO positions. We recognised that the company had appointed an independent presiding director and listed the duties and responsibilities of the position. However, we did not believe this was sufficient. Appointing both executive and board leadership concentrated too much responsibility in an individual and inhibits independent board oversight of executives on behalf of shareholders.

Outcome: *We decided to vote in favour of the shareholder proposal. This resolution received support from 24.6% of votes and was not carried.*

Chevron Corp

We were minded to vote in favour of shareholder proposals regarding a recalculated baseline emissions report under a Just Transition framework. We believed that disclosing recalculated baseline emissions in their climate-related disclosures could provide shareholders insight concerning the company's progress on its climate reduction targets. We also believed that reporting on Just Transition would allow the company, its shareholders, and its stakeholders to better understand how plans to decarbonise its operations would impact its workforce from potential closure due to the anticipated energy transition to a low carbon economy.

Outcome: *We decided to vote in favour of the shareholder proposals. The resolution on recalculated baseline GHG emissions received support from 18.0% of votes and the resolution on Just Transition reporting received support from 17.2% of votes. Both shareholder proposals were not carried.*

Collective investments

It is not possible for unit holders in open-ended collective investments to vote, though voting for closed-ended investment companies are included in our voting statistics in this report.

Our due diligence process on open ended collective investment managers does, however, include specific questions on how fund management companies vote and engage with their investees (for more information on our due diligence please see Principle 4 and Principle 7).

Expectations of fund manager voting policy and practice

Our key expectations for managers investing on our behalf are to have publicly available, active voting policies. These policies can vary across managers depending on the geographic spread of assets and asset classes, though we expect a reasonable degree of consistency to be aimed for where possible, in line with our own experience and practice. We also assess whether they are being consistent with their policies in practice by reviewing their voting record.

Case Study – Voting approach of Japanese Stewardship Code fund manager signatory

This fund manager was the largest significant holding that we had in our MU that was not a UN PRI signatory (which was the case for just three funds in our MU in 2023), yet it had high standards of stewardship that impressed our analysts and is a Japanese Stewardship Code signatory. This firm, which invests exclusively in Japanese equities, seeks to actively engage with companies on their clients' behalf in a constructive way. They maintain an ongoing relationship with companies, so each vote was considered within the context of that relationship and it followed some guiding stewardship principles. In line with our expectations, this manager has disclosed their voting policy on their website as well as their voting record with rationale in line with the Japanese Stewardship Code.

The manager states in their policy that they vote on all their shares, thus satisfying our expectations of being active stewards. Given they do not undertake stock lending, they are always able to exercise voting rights. Their 2023 voting record showed that they voted at 105 company AGMs, which was 100% of their eligible votes. The fund's portfolio managers were directly responsible for proxy voting and made those decisions based on their fundamental research. Their general stance was to be supportive of management teams which prioritise good governance and shareholder interests but will vote against measures in circumstances which they consider to be contrary to shareholders' interests. This is assessed by formally scoring each company after meeting with them on a scale from 1 to 5 against various criteria including share buybacks, dividend policy, progress in unwinding cross-shareholdings and management. The manager's voting activities in 2023 reflected their policy. For example, the fund manager supported 82% of proposals and sent 40 letters to 38 Japanese companies to engage on governance matters. In addition, they voted against directors for 22 holdings which, almost in all cases, was to express dissatisfaction with company governance and capital allocation practices.

Outcome: *While this fund manager is not a UN PRI signatory, it is a Japanese Stewardship Code signatory and therefore meets our expectations of being an active steward in line with their policy, particularly with respect to voting.*

Case Study – Voting approach of UK-based fund manager

Voting is a key component of this manager's active ownership approach. In line with our expectations, this manager publicly discloses their voting policy as well as their proxy voting record on their website. Additionally, the manager has explained their voting rationale in cases where they voted against management recommendations, voted on environmental and social matters, and when voting differently from their custom policy recommendations.

The asset manager states in their policy that they tend to vote in line with a board's voting recommendation but will vote against resolutions which they believe are not consistent with their clients' best interests. In 2023, the manager voted in line with management recommendations for 86% of resolutions in accordance with their policy. Their policy also explains that they will also choose to abstain where considered appropriate. In practice this also occurred in 2023; the manager disclosed they decided to abstain on "Say on Climate" resolutions, stating that although these votes were well intentioned, they believed that presenting a climate strategy as a standalone voting item risked diminishing the integration of climate in strategy and the direct responsibility and accountability of the board and individual directors. In 2023 overall, this manager abstained from 1.6% of proposals.

Outcome: *The voting policy and practise of this fund manager is in line with our expectations of active stewardship on our behalf.*

Voting improvements

As part of our continuous improvement, we plan to review our voting coverage in 2023. In addition, we are looking to further embed the use of our Glass Lewis custom policies with a view to develop a more tailored approach to voting.

GLOSSARY

AAC – Asset Allocation Committee

AGM – Annual General Meeting

AIM – Alternative Investment Market

AUM – Assets Under Management

BREEAM – Building Research Establishment Environmental Assessment Methodology

CA100+ – Climate Action 100+

CBES – Climate Biennial Exploratory Scenario

CDP – Climate Disclosure Project

CIG – Collective Investment Group

CISI – Chartered Institute for Securities and Investment

CLE – Climate Lab Enterprise

CRC – Corporate Responsibility Committee

CVaR – Climate Value at Risk

DIG – Direct Investment Group

DDQ – Due Diligence Questionnaire

CSA – Climate Scenario Analysis

EAP – Evelyn Active Portfolios

EEIDD – Enhanced ESG Integration Due Diligence

EF – Environment Forum

EMF – Environmental Management Framework

ESC – Environmental Steering Committee

ESG – Environmental, Social, and Governance

FAIRR – Farm Animal Investment Risk and Return

FCA – Financial Conduct Authority

FIG – Fixed Income Investment Group

FRC – Financial Reporting Council

FSB – Financial Stability Board

FS ExCo – Financial Services Executive Committee

FVPC – Fair Value Pricing Committee

GAYE – Give-As-You-Earn

GEC – Group Executive Committee

GHG – Greenhouse Gas Emissions

GRCC – Group Risk and Compliance Committee

I&D – Inclusion and Diversity

IA – Investment Association

IES – Inclusive Employer's Standard

IOC – Investment Oversight Committee

IPC – Investment Process Committee

ITR – Implied Temperature Rise

KPI – Key Performance Indicator

M&A – Mergers and Acquisitions

MSCI ACWI – MSCI All Country World Index

MSCI UK IMI – MSCI United Kingdom Investable Market Index

MU – Monitored Universe (for direct and collective investments)

NA100 – Nature Action 100

NMPI – Non-Mainstream Pooled Investments

PAI – Principle Adverse Impacts

PIMFA – Personal Investment Management & Financial Advice Association

RAC – Risk and Audit Committee

RCSA – Risk and Control Self-Assessment

REGO – Renewable Energy Guarantees of Origin (REGO)

REV – Risk Event Process

RI – Responsible Investment

RMF – Risk Management Framework

ROOC – Risk, Oversight and Operations Committee

SASB – Sustainability Accounting Standards Board

SBTi – Science Based Targets Initiative

SDG – Sustainable Development Goals

SDR – Sustainability Disclosure Requirements (FCA UK)

SFDR – Sustainable Finance Disclosure Regulation (EU)

SLA – Service Level Agreement

SMPS – Sustainable Managed Portfolio Service

SRI – Stewardship and Responsible Investment

SRIG – Stewardship and Responsible Investment Group

SWS – Seasonal Workers Scheme

TCFD – Taskforce for Climate-Related Financial Disclosures

TISA – The Investing and Saving Alliance

UN PRI – United Nations Principles for Responsible Investment

APPENDICES

1. Door DDQ ESG Questions (collective investments due diligence)
2. Enhanced ESG Integration Due Diligence (EIDD) assessment criteria (for collective investments)

1. DOOR DDQ ESG Questions

DOOR DDQ ESG Questions
Personnel
• Organisational chart of Firm. Include biographies of key executives impacting the management and strategic direction of the Firm including head of compliance and head of risk • What measures are the Firm taking to promote DEI and who takes responsibility in reviewing and monitoring it? • Describe Firm procedures for reporting and investigation of harassment and/or discrimination • Does the Firm have a formal policy on Diversity, Equity & Inclusion (DEI) and equality in the workplace? • Has the Firm established a board or management committee with responsibility for reviewing the Firm's ESG investment standards and monitoring compliance? • Describe how the Board of Directors are involved in overseeing policy and procedures related to responsible investment and ESG, including how they monitor and frequency of review • Who in the Firm leads, oversees, or is responsible for ESG-related activities? Include their positions, roles, qualifications and any training provided • Does the Firm have set targets, objectives or goals for diversity (including process improvements, ways to engage employees or collect data, in addition to commitments aligned to external initiatives)? • Describe the Firm's targets, objectives or goals for diversity • Are the DEI policies communicated to all staff? • Describe any ESG training and CPD resources which are made available for staff
ESG/RI
• Does the Firm have a sustainability risk policy/disclosure in place? • Firm's sustainability risk policy/disclosure • What is the Firm's policy for Responsible Investment (RI) and for considering Environmental, Social, and Governance (ESG) issues? • Firm's ESG/RI policy • How are the Firm's ESG and RI policies applied? (E.g. Firmwide and/or across all divisions and business lines partially or on a product by product basis?) • Is the Firm a signatory of the United Nations Principles for Responsible Investment (UNPRI)? • Firm's most recent PRI Transparency report • Describe any other commitments by the Firm in adherence to responsible business conduct codes, international standards, reporting frameworks, or initiatives to promote ESG and RI • Is the Firm rated externally for ESG & RI policies and practices? • Do ESG considerations form part of the appraisal and compensation plan for executives and investment professionals? • How are executives and investment professionals incentivized to consider ESG in investment decision-making? • Is the Firm a signatory to the UK Stewardship Code? • When did the Firm become a signatory to the UK Stewardship Code? • Why has the Firm chosen not to sign the UK Stewardship Code?
Proxy Voting & Engagement
• Does the Firm participate in proxy voting? • Describe the proxy voting policy • Does the Firm have an engagement policy related to ESG issues? • Describe the engagement policy related to ESG issues and how the Firm monitors and sets engagement objectives • Provide examples of the Firms engagement with portfolio companies, with details on the issue, process, and outcome • Does the Firm collaborate with other organisations on engagements? • Provide examples of how the Firm collaborates with other organisations on engagements
General Strategy Information
• Strategy name • Strategy inception date • Investment approach • Does the Strategy follow a particular investment style? • Describe the investment style • What is the investment objective of the Strategy?

DOOR DDQ ESG Questions...continued
People I: Investment Team Overview
• Provide concise biographies for all investment team members
• Does this Strategy have a dedicated ESG team to support the investment team with the management of the portfolio?
• How and to what extent is the analysis/views of the dedicated ESG team integrated within the investment team?
People II: Roles, Responsibilities & Decision-Making
• Who are the primary drivers of the Strategy's positioning and performance?
• Do any of the primary drivers of the Strategy's positioning and performance have responsibilities for other Strategies?
• Explain for each individual, the additional responsibilities for other Strategies and explain how they are (or are not) related to this Strategy
• Describe the compensation philosophy for investment professionals involved in the management of this Strategy
• Does the manager/and or investment team have a personal investment in the strategy?
Philosophy
• Describe the investment philosophy
• Based on this philosophy, how can the investment team add value?
• Has the investment philosophy been modified since the Strategy's inception?
• Describe how the investment philosophy has been modified since the Strategy's inception
Process I: Summary
• Describe the investment process
• Have changes been made to the investment process since inception?
• What changes have been made to the investment process since inception and why were they made?
Process II: Research
• Explain the research approach and how roles are divided (Generalist/global/regional/country/sector etc)
• List the systems and data providers that are important to the research process and note if they are internal or external (third-party) systems/providers
• Does the investment team use third party research?
• External third-party data sources used for ESG research, analysis and integration
• Describe any ESG data sources, tools and resources that the Strategy uses for analysis and integration
• How are ESG ratings, either third party or proprietary, used in the research process?
Process IV: Investment Universe
• What is the investment universe for the Strategy?
• Is the investment universe limited to those securities held in the Strategy's benchmark/Index?
• What screens are applied in order to reach the investment universe?
• What are the most important metrics used in the screening process?
• Are there any sectors/industries/countries that are specifically avoided?
• What are the sectors/industries/countries that are specifically avoided? Why?
Process V: ESG/RI
• In line with the SFDR requirements, which Article does this strategy fall under?
• Describe how the investment team assesses good governance practices of the investee companies
• Does the Strategy consider principal adverse impacts on sustainability factors?
• How does the Strategy consider the principal adverse impacts on sustainability factors?
• Does this Strategy incorporate ESG (environmental, social, and governance) principles?
• Describe any ESG/RI screens, either exclusionary or positive/best-in-class, used for the Strategy, and any third-party services used to implement
• What is done to monitor and ensure compliance with RI/ESG policies and principles?
• Describe the investment team's approach to identifying and managing ESG factors within portfolio companies
• Provide examples of how ESG factors are incorporated into the investment decision-making process, and examples of how these factors contributed to an investment decision
• Does this Strategy take into account any of the UN's Sustainable Development Goals (SDGs)?

DOOR DDQ ESG Questions...continued
Process V: ESG/RI...continued
• Explain how the Strategy takes into account the UN's Sustainable Development Goals (SDGs) and list out the SDGs affected • Provide Weighted Average Carbon Intensity (WACI) • Weighted Average Carbon Intensity (WACI) Units • Weighted Average Carbon Intensity (WACI) Start Date • Weighted Average Carbon Intensity (WACI) End Date • Do you have a stewardship policy? • Attach Stewardship Policy (or provide link in attachment) • Can you provide a portfolio ITR using MSCI methodology? • Can you provide the proportion of the fund with any kind of Paris aligned target, in accordance with the SFDR defined Carbon Reduction Initiative? • Are you able to provide the proportion of the fund in green revenues (as defined by amount in alternative energy, energy efficiency, sustainable agriculture, sustainable water and pollution prevention)? • How often could the data be provided? • Proportion of the fund in green revenues: • Within your strategy, what do you see as the main opportunities with respect to green revenues?
Process VI: Portfolio Construction
• Are decisions driven bottom up and/or top down? • What specific factors (e.g. duration management, yield curve positioning, asset allocation, sector selection, security selection, country selection, currency management, maturity structure, etc.) are integral to the portfolio construction process? What is the relative importance of these factors? • How do the Firm's active ownership activities inform the investment decision-making process? • As per the Science Based Targets Initiative (SBTI), please provide the proportion of portfolio companies that are: a. Committed to Science Based Targets; b. Have targets set; c. Are none of the above. Please also detail how you are engaging with those companies without Science Based Targets (as per SBTI) to sign up to this initiative
Risk Management
• Specific to this Strategy, how does the investment team define risk? • How is risk management incorporated within the investment process? • Describe the interactions between the risk management and investment management teams • How often is the risk of the portfolio assessed on a relative/absolute basis? • How is materiality of ESG risks assessed and how are these integrated within overall risk management? • Is the Strategy's carbon footprint calculated/estimated? • How are climate impacts, risks, and opportunities across investments assessed, and how does the Strategy manage both the transition risks and physical risks related to climate change?

2. Enhanced ESG Integrated Due Diligence (EEIDD) assessment criteria (for collective investments)

EEIDD Assessment criteria	Description
Responsible investment policy	Demonstrates the organisation's responsible investment approach. Ideally, the firm's philosophy will mention responsibility/ESG/sustainability. This could be through a dedicated RI Policy or TCFD report
ESG in the investment process	Manager can (i) explain in detail how ESG criteria are used to assess investment opportunities, and how it impacts on valuation methodologies; (ii) give examples where ESG has influenced the investment decision-making process; (iii) explain how they deal with more controversial issues in the portfolio, such as fossil fuels (n.b. this does not necessarily mean divestment); (iv) evidence product label disclosures and policies
Internal ESG resource	Data providers are used, but data is assessed and interpreted by analysts in a considered and robust way
External ESG resource	Data providers are used, but data is assessed and interpreted by analysts in a considered and robust way
Voting Policy	Voting policy, including with regard to ESG issues. Ideally voting on ESG issues is firmwide, and not restricted to shares held in the fund under consideration
Engagement Policy	Engagement policy specifies the treatment of ESG issues and details a suitable escalation policy. Managers can cite areas of ESG engagement for companies owned and are also involved with collaborative platforms. Ideally, engagement on ESG issues is firmwide and not restricted to shares held in the fund

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