

Stewardship Code and Engagement Policy under the Shareholder Rights Directive (SRD) II

Background:

Stewardship Code

Stewardship by asset owners and asset managers involves making informed decisions about where to invest and proactive oversight of those assets once invested. These activities improve market quality and integrity, and help create sustainable, long term value for clients and beneficiaries.

Effective stewardship is also expected to:

- lead to broad economic, environmental and societal benefits, including in relation to climate change and the transition to net zero;
- ensure that markets function well;
- support market integrity by improving the quality and effectiveness of capital allocation; and,
- deliver good outcomes for consumers by encouraging firms to actively seek value that meets consumers' preferences.

The UK Stewardship Code 2020 ('the Code') is published by The Financial Reporting Council ('FRC') and sets out good stewardship practice for asset managers, asset owners and service providers when engaging with investee companies. It comprises a set of twelve 'apply and explain' principles for asset managers managing and investing money on behalf of professional clients in the United Kingdom.

Compliance with the Stewardship code is voluntary.

Engagement Policy

The Shareholder Rights Directive (SRD II), which applies in the UK and Gibraltar, requires firms that provide discretionary management services and who are investing on behalf of investors in shares traded on a regulated market to disclose their policies on how they integrate shareholder engagement in their investment strategies.

Definitions

Stewardship:

Stewardship has been defined by the FRC as 'the responsible allocation, management and oversight of capital to create long term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society'.

Engagement:

Shareholder engagement refers to the ways that shareholders can influence the companies in their investment portfolios. Three main techniques are proxy voting, shareholder dialogue and shareholder proposals.

SRD II states that effective and sustainable shareholder engagement is one of the cornerstones of the corporate governance model of listed companies, which depends on checks and balances between the different organs and different stakeholders.

Greater involvement of shareholders in corporate governance is one of the levers that can help improve the financial and non-financial performance of companies, including as regards environmental, social and governance factors ('ESG'), in particular as referred to in the Principles for Responsible Investment ('PRI'), supported by the United Nations.

Kleinwort Hambros' Approach

Stewardship Code

Kleinwort Hambros is a private wealth manager and investment manager and our clients are predominantly retail clients under the FCA rules. Retail clients are not covered by the terms of the Stewardship Code. A small number of Kleinwort Hambros clients are classified as 'professional clients' under the rules and their portfolios are managed within the terms of our standard services. While Kleinwort Hambros is not a signatory to the Code, we support its aims and acknowledge the role that effective stewardship can play in promoting better or more sustainable economic, environmental and societal outcomes

The Code's aim is to improve the way in which institutional investors interact with the management of companies in which they invest across all asset classes. Whilst we recognise our responsibilities that come with the stewardship of client assets, we do not believe that the purpose of the Code was to encourage firms like Kleinwort Hambros to routinely engage with the management of our investee companies and Kleinwort Hambros is therefore not a signatory to the Code.

Engagement Policy

At the current time, Kleinwort Hambros does not integrate shareholder engagement in its investment strategy for shares traded on regulated markets. This is due to the relatively small size of direct shareholdings under Kleinwort Hambros' discretionary management.

Third-party fund providers' engagement policies are tracked as part of Kleinwort Hambros' due diligence procedures; however, they are not factored into our investment selection process unless the fund is designed to be sustainable or responsible in its strategy. Due diligence is in this case expanded to include details on the voting policies not only of the fund in question, but the fund provider at large.

We monitor investee companies and funds on relevant matters, including strategy, financial and non-financial performance and risk, capital structure and social and environmental impact and corporate governance (ESG). This monitoring is based on research received from Société Générale specialists and external brokers and analysts and is described in further detail in the "Investment Philosophy" section below.

While we do not conduct direct dialogues with investee companies, other than some investment trust companies, we do have regular dialogue with fund managers whose

funds we may use to implement investment strategies. This is done via periodic meetings as well as annual questionnaires requesting additional detail on policies, processes and team structures. While Kleinwort Hambros has no influence over the investment or engagement policies of third-party fund managers, we may challenge them on specific holdings or concerns, specifically with regards to Environmental, Social, and Governance (ESG) concerns, sanctions, or generally actions we deem to be outside the fund's stated mandate.

Kleinwort Hambros does not typically exercise voting rights and other rights attached to shares on behalf of the discretionary holdings for its clients whether at Annual General Meetings, Special or Extraordinary General Meetings. However, we may vote at some Extraordinary General meetings. A summary of our recent voting record is available [here – insert link <https://www.kleinworthambros.com/en/important-information/shareholder-engagement-policy/>]. Kleinwort Hambros does not currently use the services of a proxy adviser. We will be implementing an enhanced engagement policy in conjunction with the services of a proxy adviser soon as part of our roadmap.

It is not Kleinwort Hambros' practice to cooperate with other shareholders or communicate with other relevant stakeholders of the investee companies, except other parts of the Société Générale Group.

Investment philosophy

Kleinwort Hambros' investment approach involves creating stronger client relationships based on trust, service and expert knowledge. As part of our investment strategy, we aim to deliver long term sustainable value creation, in the best interests of our clients across all asset classes. When constructing investment portfolios for our clients, our investment managers consider a wide range of factors, including but not limited to: investment objectives; investment time horizon; risk appetite; capacity for loss and ethical concerns.

Kleinwort Hambros' investment philosophy centres on three guiding principles:

- 1. Get the big decisions right.**
Asset allocation is the most important decision and it should be actively managed.
- 2. Take risk only when risk is likely to be well rewarded.**
When assets are expensive, risk is not well rewarded; when assets are cheap, it is. Valuation is the key driver of long-term returns.
- 3. Avoid large losses.**
The pain of losing money is the ultimate definition of risk. Therefore, client portfolios are constructed in a way which will seek to withstand market stress scenarios.

Responsible Investing

Kleinwort Hambros aims to be the leading responsible bank for client service and expertise. This is achieved through making a positive difference to the development of our communities and employees, as well as helping our clients to build sustainable legacies.

For more detail on our culture and commitments, including our implementation of responsible investment strategies, go to [link to <https://www.kleinworthambros.com/en/about/our-culture-and-commitments/>]

We build responsibility criteria into client portfolios to craft a holistic offering for our clients. While the bank provides a differentiated responsible investment proposition which incorporates the merits of ethical, ESG, sustainable and impact investing, such factors inform all portfolios. Across our direct security investment portfolios, we limit

exposure to key controversial sectors (Adult Entertainment; Thermal Coal; Tobacco; Gambling and Controversial Weapons) and exclude companies involved in Red Flag controversies as defined by MSCI, (i.e. those they identify as being involved in one or more very severe ESG controversies), such as BHP Group and Boeing.

Using specialist data providers such as MSCI, we have enhanced our due diligence process for third-party fund providers and passive tracker funds to increasingly track sustainability considerations.

An ESG scorecard helps us rank the funds based on several factors such as holdings in Red Flag companies, the portfolio's Weighted Average Carbon Intensity (WACI), its sustainable impact exposure and several others.

If we have any ESG concerns relating to individual funds we bring it to the attention of the fund manager and ask for an explanation or divestment from those assets.

Generally, Kleinwort Hambros will no longer invest in funds with MSCI ESG Score of B and below (laggards) in our core investment strategies and aims to achieve an overall ESG score of AA (leader) across our discretionary equity holdings.

In addition, Kleinwort Hambros is a signatory of the Principles for Responsible Investment ('PRI') and UK Sustainable Investment and Finance Association ('UKSIF'). Both are widely recognised bodies for promoting responsible investing across the financial sector.

Kleinwort Hambros is 100% owned by Société Générale (SG), which is a founding member of UNEP-FI Net-Zero Banking Alliance, committed to aligning both lending and investment portfolios with net-zero emissions by 2050. SG aims to raise EUR 120bn between 2019 and 2023 through advisory and financing dedicated to renewable energy making SG a leader in the energy transition.

To find out more, click here:

<https://www.societegenerale.com/en/news/newsroom/corporate-social-responsibility-societe-generale>

Conflicts of interest

Kleinwort Hambros takes all reasonable steps to treat clients fairly and requires all staff to comply with a Conflicts of Interest Policy ('the Policy'), which obliges them to disregard any interest, relationship or arrangement that the firm may have in relation to the client's transaction or investment.

A summary of the Policy is available [here - link <https://www.kleinworthambros.com/en/important-information/conflicts-interest>]. Any actual or potential conflict of interest that may arise is managed in accordance with the Policy.

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