

STONEHAGE FLEMING STEWARDSHIP REPORT

2026



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A MESSAGE FROM STUART PARKINSON, CHIEF EXECUTIVE OFFICER

Welcome to our 2026 Stewardship Report



Stewardship is central to our business. We act as responsible stewards of our clients' capital, their broader wealth and reputations, and as facilitators of intergenerational wealth transfer. How we deploy capital is therefore critical—to ensure we can deliver robust investment outcomes and, where desired, contribute positively to society and the planet.

Our stewardship approach combines investor engagement and proactive engagement with clients. Proprietary research helps us understand client priorities and continually refine our offering. We share this through our Four Pillars of Capital reports and regular events and discussions. Meanwhile, we are active owners, using voting and engagements to create long-term sustainable value for clients and beneficiaries.

In addition, we recognise the need to also meet the high standards that our clients expect in our own operations. Here, the Responsible Business Group (RBG) and our Diversity Equity & Inclusion (DE&I) Committee drive progress.

In 2024, the RBG procured a data system, Siemens Awarely, to improve the robustness of our Scope 1 and 2 emissions data, as well as centrally track other sustainability KPIs. In 2025, concerted data gathering across group commenced. This effort will support us with evidence-based emissions reduction planning, and with other operational sustainability performance improvements. The RBG also reports on a wide range of ESG metrics to our major external shareholder, Caledonia Investment Trust, and assesses client demand for sustainable services.

MESSAGE FROM STUART PARKINSON

Our DE&I Committee focuses on four priorities:

- ▶ Increasing diversity by interviewing a higher proportion of diverse candidates.
- ▶ Improving gender diversity at senior management level, aligned with our 28% target.
- ▶ Providing annual DE&I training, including training over 160 line managers.
- ▶ Delivering Group-wide initiatives, including a wellness week and cultural celebrations.

Both committees report into the Group ExCo.

Further, external partnerships reinforce our long-standing community commitments. We are Founder Members of the Chancellor's Circle at the University of Westminster, and work with over 50 charities across 14 regions, including a three-year partnership with the Duke of Edinburgh's International Award and longstanding work with Afrika Tikkun in South Africa.

We also continue upgrading our office estate to improve quality and environmental performance, with new or enhanced premises in Jersey, Geneva, Mauritius and the Isle of Man.

Our Stewardship Reports have been approved by the FRC for four consecutive years. I am pleased to present our 2026 Annual Stewardship Report, which has been reviewed by senior leadership.

STUART PARKINSON



We act as responsible stewards of our clients' capital, their broader wealth and reputations, and as facilitators of intergenerational wealth transfer.

A MESSAGE FROM GRAHAM WAINER, CEO INVESTMENT MANAGEMENT



I am proud to present Stonehage Fleming Investment Management UK's 2026 Stewardship Report alongside our Group Chief Executive.

We serve a broad range of clients: successful families and wealth creators, as well as professional and institutional investors. While some of our clients already expect high stewardship standards, many are still defining how stewardship and sustainability fit within their investment philosophy.

Our approach to stewardship is informed by the current expectations that our clients place on stewardship, assessed through direct conversations and long established proprietary research on client priorities.

It is also informed by cultural, regulatory and broader industry developments. We expect stewardship practices in private wealth to converge with those of institutional investors, and are equally mindful of the next generation, who are typically better informed on climate and societal issues and more inclined to use investment to drive positive change, including through active stewardship.

MESSAGE FROM GRAHAM WAINER

As such, we continue to strengthen our stewardship practices.

In 2025 we:

- ▶ Refined our anti-greenwashing policy.
- ▶ Conducted a dedicated climate engagement for our flagship Global Best Ideas Equity Fund (GBI), as well as a climate and ESG due diligence review of all of our core and sustainable managers.
- ▶ Enhanced our ESG screenings and risk reviews for third-party managers, as well as ESG evaluations in our third-party manager reviews.
- ▶ Published our second Climate/TCFD reports, and submitted our third PRI (Principles for Responsible Investment) report.

Across all strategies, our teams share a commitment to quality, integrity and long-term responsibility.

We have made substantial progress embedding stewardship into our investment culture over the past years, including through dedicated team resources and enhanced and new processes and policies.

We hope that our fifth Stewardship Report demonstrates this continued commitment to best practice.

GRAHAM WAINER

INTRODUCTION TO STONEHAGE FLEMING INVESTMENT MANAGEMENT

An overview of our UK Investment Management business

Stonehage Fleming is an adviser to many of the world's leading families and wealth creators. Most of our clients are successful entrepreneurs and business owners who have created and continue to accumulate significant wealth.

Our clients look to us to aid with the successful management of their wealth and to assist with its transition from one generation to the next. As such, our purpose is to preserve the real wealth of the families we serve across multiple generations.

Stonehage Fleming Investment Management UK (SFIM UK) is a global investment manager, constructing high conviction portfolios to preserve and grow wealth in real terms across generations. As of 31st December 2025, we manage over £20 billion in discretionary assets.

SFIM UK is a Private Limited company wholly owned by the Stonehage Fleming Family & Partners Group (Group). This report is prepared for SFIM UK and does not cover assets managed by other Group entities.

Being predominantly owned by management and staff means we are free from the commercial pressures and constraints faced by many financial services companies. Our business is explicitly service-orientated rather than product-led.

As stewards of intergenerational wealth, we have always had an extended time horizon. A failure to consider all stakeholders when providing investment solutions would be doing our investors a significant disservice. This includes the planet and society, where of interest to a client. We view the long-term outcomes of corporate activity as integral to the investment process and the proper functioning of the broader financial system.

Still, providing client-led services, it is ultimately our clients who decide how much they wish to see the interests of other stakeholders reflected in the management of their assets. Stewardship ambitions for us therefore depend on specific client expectations, with our baseline aim being that financially material risks to assets are adequately understood, monitored and addressed across the assets we manage.



INTRODUCTION

For the purpose of this report, we categorise our AUM as managed with ‘external expertise’ and ‘internal expertise’.

INTERNAL EXPERTISE

This refers to our in-house security selection capabilities. Assets comprise roughly one third of our total AUM and include direct equity, cash and fixed income, comprising of our flagship Global Best Ideas Equity Fund (GBI), as well as various other equity funds and direct fixed income selections. None of our products in this category have a sustainable label or classification under Sustainability Disclosure Requirements (SDR) or Sustainable Finance Disclosure Regulation (SFDR). For the purpose of this report, where not otherwise specified, stewardship practices relating to our direct equity offering will cover practices of our Global Best Ideas Equity Fund and strategy.

EXTERNAL EXPERTISE

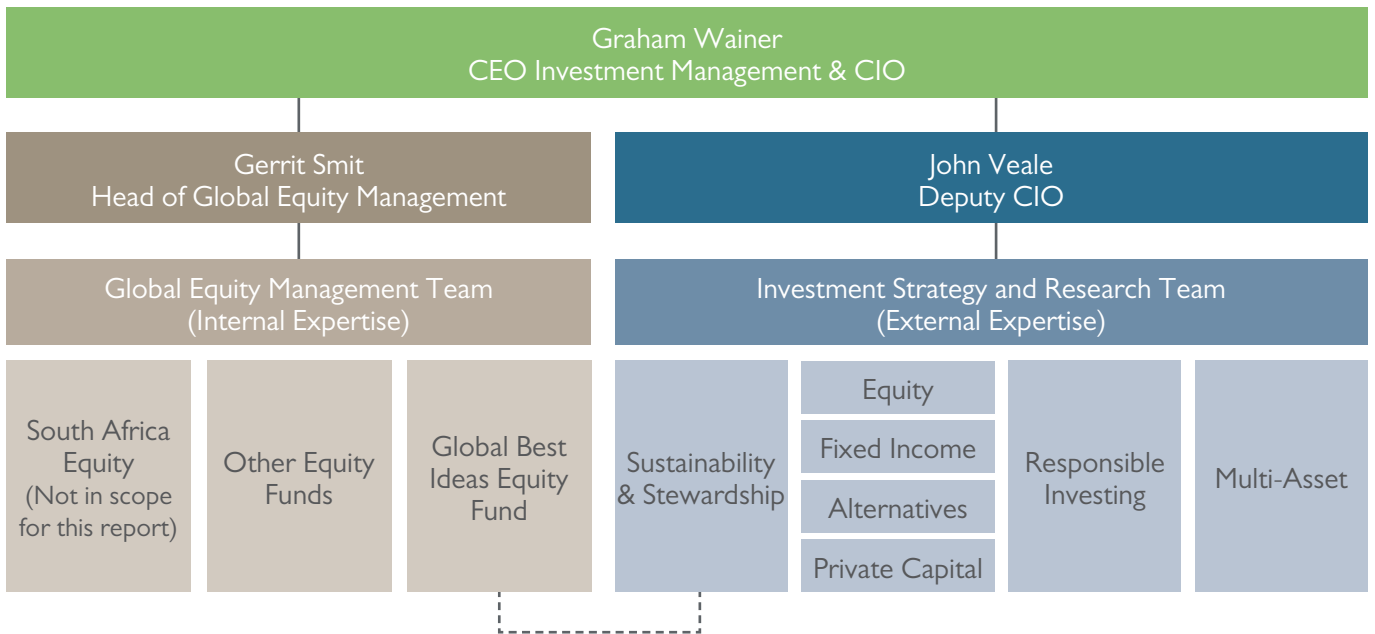
This refers to discretionary assets held with a set of carefully vetted third-party asset managers. These assets comprise roughly two thirds of our total AUM, primarily covering equity, fixed income, alternatives and private capital allocations. Assets include a wide range of funded equity, private capital and multi-asset products, as well as other solutions. They also include our responsible equity (SFDR Article 8 fund of funds) and multi-asset offering. Assets under advice follow a different process and are not covered in this report.

INTRODUCTION

RESOURCES FOR STEWARDSHIP

Good stewardship requires adequate resourcing from both a people and analytical perspective, as well as robust governance and processes.

While we see adequate stewardship practices as the responsibility of each member of our investment team, as the business has developed its responsible investment framework in recent years, we have formalised oversight and expanded resourcing.



GOVERNANCE: The formation of Stewardship and Investment Sustainability Committee (SISC) in 2022 formalised our stewardship governance. This committee oversees our voting and engagement practices, sustainability risk reviews and screenings, compliance with sustainability regulations as well as our main responsible investment disclosures - including this report.

INTRODUCTION

RESOURCING: The creation of a dedicated sustainability and stewardship function in 2023, situated in our Investment Strategy and Research Team, ensures we can deliver against our stewardship and investment sustainability ambitions. This team works closely with the other parts of the ISR team, as well as with the Global Best Ideas Equity Fund team, on investment-related stewardship, research and analysis, due diligence and disclosure projects. It further works closely with our compliance, operations and marketing teams. The team's responsibilities include, amongst other things:

- ▶ Planning and conducting of topical engagements.
- ▶ Facilitating integration of responsible investment practices within the business, including through new and updated policies and processes.
- ▶ TCFD, UN PRI, UK Stewardship Code and SDR disclosures.
- ▶ Regular screenings for controversial exposures and sustainability risks.
- ▶ Conducting sustainability due diligence reviews and topical research for third-party managers and companies held within the GBI fund.
- ▶ Regulatory monitoring and response planning.

The team currently consists of two people:



**DR. PHILIPP
CYRUS**

Sustainability
& Stewardship
Officer

Philipp is an Associate Director at Stonehage Fleming. He joined the group in 2023 and manages the Sustainability & Stewardship team.

Prior to joining Stonehage Fleming, he worked as an analyst in the sustainability research division of S&P Global. He also worked in research, development and teaching capacities for various UK and international organisations, including UK-based Social Value Portal, the London City University and the UN Food and Agriculture Organisation.

Philipp holds a Doctor of Philosophy in Economics from the School of Oriental and African Studies, London.



BENJAMIN LAWS

Sustainability &
Stewardship
Analyst

Ben is an analyst on the Sustainability & Stewardship team, working on ESG data and research, disclosure and engagement projects for multi-asset and direct equity products.

Prior to joining the group in 2024 he worked at Redburn Atlantic as an Equity Research Analyst.

Ben holds an MSc in Environmental Development from the London School of Economics and a BSc in Sustainable Development from the University of St Andrews.

INTRODUCTION

Beyond our dedicated resources for stewardship, the members of our investment, operations and compliance teams all have responsibility for ensuring that the firm delivers against its stated ambitions and in compliance with legal obligations. The following key stakeholders provide oversight through their membership of SISC:



GRAHAM WAINER

CEO Investment
Management

Graham is CEO Investment Management with overall responsibility for the firm's investment management business, including oversight for climate matters. He also chairs the Investment Committee.

Prior to joining the Group, Graham was GAM's Group Head of Investments – Multi-Asset Class Solutions and Chairman of GAM's Investment Advisory Board where he had overall responsibility for the firm's discretionary mandates and related co-mingled funds.

Graham holds Bachelor of Commerce (Hons) and Master of Commerce degrees from the University of Cape Town.



JOHN VEALE

Deputy Head of
Investments

John Veale is Deputy Head of Investments for Stonehage Fleming Investment Management and is responsible for multi-asset investment strategy and research. He joined the Group in 2001, working initially as a Portfolio Manager and Analyst.

John previously practised as a Chartered Engineer, working among others at Arup.

He holds a Master of Science in Engineering from the University of Cape Town.



CAROLYN BELL

Lead Portfolio
Manager

Carolyn is a Partner at Stonehage Fleming; and since mid-April 2026, Lead Portfolio Manager for the Stonehage Fleming Global Best Ideas Strategy. The Global Best Ideas Strategy seeks to achieve favourable returns over time by investing in 20–30 of what we consider to be the world's highest quality growth companies.

Carolyn joined Stonehage Fleming in 2024 from Aegon Asset Management, where she served as Lead Investment Manager for the Aegon US Equity Pension Fund, Co-Manager of the Aegon Technology Pension Fund, and Support Manager for the Aegon Global Equity Market Neutral Fund and Aegon Global Income Fund. Before Aegon she was an Investment Analyst at Baillie Gifford.

Carolyn holds a Master of Arts in English Literature from the University of Cambridge and a Masters in Early Modern Studies with distinction from the University of Aberdeen.

INTRODUCTION



TRISTAN DOLPHIN

Head of Sustainable
Investments

Tristan is Head of Sustainable Investments at Stonehage Fleming and acts as portfolio manager to the firm's multi-asset and equity-only sustainable investment strategies. He also contributes to broader multi-asset investment strategy and fund research, and is closely involved with ESG and climate strategy development and implementation.

He joined the Group in 2011, initially in the Direct Equity team during a period of strong growth before moving across to the Investment Strategy and Research team.

Tristan holds an honours degree in Psychology from the University of Plymouth and qualified as a CFA Charterholder in 2015.



SIMON WARD

Senior Relationship
Manager

Simon is a Partner within Stonehage Fleming Investment Management and looks after a small group of large UK and international client families across invested multiple asset classes.

Prior to joining the Group in 2002, he worked for Cazenove Fund Management where he managed discretionary portfolios for UK-based entrepreneurs and families.

Whilst there, Simon completed SFA and Securities Institute examinations, becoming a Fellow of the Securities Institute in 2001.

He is a member of the Stewardship and Investment Sustainability Committee and of the Performance Review Committee.



SHIVANI DESAI

Risk & Compliance
Senior Associate

Shivani is a Risk & Compliance Senior Associate, working on compliance advisory, delivering training and assisting with regulatory ESG and climate reviews, policy development and disclosures.

Prior to joining the group in 2022, she worked at Transact as an Onboarding Associate.

Shivani holds a BA in Philosophy, Politics and Economics from the University of Nottingham and an ICA Diploma in Governance, Risk & Compliance.

PRINCIPLE I: INTEGRATING STEWARDSHIP AND INVESTMENT

Signatories integrate stewardship and investment to deliver long-term sustainable value for their clients and beneficiaries

STEWARDSHIP PHILOSOPHY

Stonehage Fleming fully embraces the Financial Reporting Council’s (FRC) 2025 Stewardship Code definition of Stewardship and apply it through our practices.

“Stewardship is the responsible allocation, management and oversight of capital to create long-term sustainable value for clients and beneficiaries.”

We further acknowledge the need for having regard to the economy, the environment and society, and embrace this aspect of stewardship for beneficiaries for which this is of interest.

Having long history of working with wealthy families, we believe that capital should not be narrowly defined in purely financial terms. We rather see wealth as having four distinct, complementary and mutually dependent pillars.

The Four Pillars of Capital are defined as follows:



The Four Pillars provide a framework through which intergenerational success factors can be considered and positive outcomes achieved.

PRINCIPLE I

Whether we are constructing multi-asset portfolios or selecting third-party managers, individual equities, or corporate issuances, a few key principles underpin our investment approach, aiming to ensure long-term success for our clients.

Long-term

As described above, our time-frame is intergenerational. We select investments and construct 'built to last' portfolios that can withstand market vagaries, systemic risks and geopolitical risks.

Know what we own

We know that sound investment decision-making is rooted in a thorough understanding of the details. Rigorous due diligence has always been a hallmark of our investment process. It is a source of pride within the firm. We believe that this meticulous care is an essential component of stewardship.

Management quality

Whether selecting third-party investment managers or company management, we focus on their suitability for the role (such as past experience and record in the industry) and their strategic thinking.

Avoidance of unnecessary complexity

We believe it is vital that all of our clients know and understand how their capital is being deployed.

PRINCIPLE I

STEWARDSHIP THEMES AND PRINCIPLES

With our stewardship activities we act in support our investment principles and fundamental conceptualisation of capital. This, we believe enables our clients to achieve their objectives, both financially and in terms of values and preferences, where of interest. As such, we prioritise stewardship around what we view as risks with potential for financially material impacts.

Stewardship for us means meaningfully engaging with the below topics.

What do we mean by Stewardship:

Voting	<p>Holding investments to account</p> <p>We aim to assess all votes for all our equity holdings and multi-asset managers which we hold in discretionary mandates, and vote in all cases, except of share blocking.</p>
Engagements	<p>Raising issues with clear path for escalation</p> <p>We engage companies and managers on issues we deem to be of sufficient financial materiality, as flagged and discussed through internal screening, risk review and due diligence processes, including sustainability issues.</p>
Due diligence reviews	<p>Having comfort in your investments</p> <p>We build a robust understanding of the companies and managers we invest in pre-investment, through structured due diligence reviews that include a wide range of governance, risk, and performance as well as sustainability factors.</p>
Risk monitoring	<p>Being aware of material risk trends and patterns</p> <p>We monitor the risk profiles of our investments on a regular basis, including a quarterly monitoring of sustainability risk and exposures to controversial activities.</p>
Oversight and governance	<p>Ensuring adequate oversight and governance structures are in place</p> <p>A range of committees and governing bodies provide oversight over our various stewardship practices at product and firm-level, including SISC, investment and risk committees.</p>
Reporting	<p>Reporting on practices listed above</p> <p>We provide regular reporting on the above practices through various disclosures, including our firm-level Stewardship Report, TCFD report, PRI submissions and on demand product-level client reporting.</p>

PRINCIPLE I

While we believe it to be pertinent that robust stewardship practices are in place for all assets that we manage, in alignment with our investment principles, material differences exist between how our products integrate stewardship principles, and which stewardship ambitions and aims they set for themselves.

Our products' approaches to stewardship are ultimately shaped by our clients. Since 2018, we have regularly surveyed clients, advisers, and friends of the firm on the importance of reflecting their values in their investments. More than 70% of respondents have consistently indicated that they wished for their values to be reflected in their investments.

As such, Stonehage Fleming's approach to stewardship is nuanced, providing two differentiated approaches:

Stewardship is conducted with the aim of generating long-term sustainable value for clients and beneficiaries.

This approach ensures we meet our fiduciary duty for clients that have not specified a strong preference in values-aligned investing. We focus on building a robust understanding of the companies and managers we invest in and holding them to account where we note potential for inadequately managed financially material risk factors. These might include environmental or social factors. All our products apply this approach to stewardship.

Stewardship is conducted with the aim of generating long-term sustainable value for clients and beneficiaries, including the planet and society.

This approach ensures we meet our fiduciary duty for clients that have specified a strong preference in values-aligned investing. We focus on building a robust understanding of the companies and managers we invest in, including minimum expectations for their social and environmental performance characteristics and a limit to potentially negative impacts. We hold them to account where we identify potential risks that are not being adequately managed, whether financial, environmental, or social in nature. Environmental or social concerns form a key component of our stewardship practices. This approach to stewardship is applied for our responsible proposition.

PRINCIPLE I

The following table presents a high-level overview of how our products integrate stewardship practices into their dealings with companies and third-party managers, in line with these two approaches.

INTERNAL

Global Best Ideas Equity Fund (GBI)

Objective	Generate long-term sustainable value for clients and beneficiaries.
Practices	<p>Through risk assessment and due diligence processes we identify what we deem to be financially material risks and ensure their adequate management. This includes financially material sustainability risks. Company risk management practices and key performance metrics are tracked and analysed.</p> <p>Where risk management gaps are identified, or where we note problematic performance, we might engage a company to ensure adequate understanding of the issue and to gain confidence in appropriate risk management. We actively vote, and where deemed appropriate will adjust our voting decisions based on our risk assessment and engagement outcomes.</p> <p>A limited set of sustainability factors are monitored as part of this process, as are governance, financial and risk metrics.</p> <p>Stewardship activities are governed by product specific Voting, Engagement and Exclusions policies, as well as through a firm-level Responsible Investment policy. Oversight is provided through product-level committees, including Investment, Risk and ESG committees.</p>
Service Providers	<p>We conduct regular audits of our key service providers, including those we use for our stewardship activities.</p> <p>Where we are of the view that a service provider does not deliver a service to the quality required to fulfil our stewardship ambitions, we might decide to terminate our service agreement.</p>

PRINCIPLE I

Other Equity Funds (AIM, Opportunities, Sentinel)

Objective	Generate long-term sustainable value for clients and beneficiaries.
Practices	<p>Through risk assessment and due diligence processes we identify what we deem to be financially material risks and ensure their adequate management. Company risk management practices and key performance metrics are tracked and analysed.</p> <p>Where risk management gaps are identified, or where we note problematic performance, we might engage a company to ensure adequate understanding of the issue and to gain confidence in appropriate risk management. We actively vote, and where deemed appropriate will adjust our voting decisions based on our risk assessment and engagement outcomes.</p> <p>Factors monitored include governance, financial and risk metrics. Sustainability factors might be monitored if deemed product relevant.</p> <p>Stewardship activities are governed by product-specific Voting and Engagement policies. Oversight is provided through product-level committees, including Investment and Risk committees.</p>
Service Providers	<p>We conduct regular audits of our key service providers, including those we use for our stewardship activities.</p> <p>Where we are of the view that a service provider does not deliver a service to the quality required to fulfil our stewardship ambitions, we might decide to terminate our service agreement.</p>

Fixed Income

Objective	No stewardship ambitions.
Practices	We have limited exposure to direct corporate credit and do not currently conduct stewardship activities in this space. While we do have material direct public debt exposure, we likewise do not conduct stewardship activities in this space.
Service Providers	N.A

PRINCIPLE I

EXTERNAL

Core Multi-Asset Offering

Objective	Generate long-term sustainable value for clients and beneficiaries.
Practices	<p>Through risk assessment and due diligence processes we identify what we deem to be financially material risks and ensure their adequate management. This includes financially material sustainability risks. Third-party manager risk management practices and key performance metrics are tracked and analysed.</p> <p>Where risk management gaps are identified, or where we note problematic performance, we might engage a company to ensure adequate understanding of the issue and to gain confidence in appropriate risk management. We actively vote, and where deemed appropriate will adjust our voting decisions based on our risk assessment and engagement outcomes.</p> <p>A limited set of sustainability factors are monitored as part of this process, as are governance, financial and risk metrics.</p> <p>Stewardship activities are governed by multi-asset specific Voting and Engagement policies, as well as through a firm-level Exclusions and Responsible Investment policy.</p> <p>Oversight is provided by product Investment committees, as well as through firm-level Risk and Stewardship committees.</p>
Service Providers	<p>We conduct regular audits of our key service providers, including those we use for our stewardship activities.</p> <p>Where we are of the view that a service provider does not deliver a service to the quality required to fulfil our stewardship ambitions, we might decide to terminate our service agreement.</p>

Responsible Multi-Asset Offering

Objective	Generate long-term sustainable value for clients and beneficiaries, including the planet and society.
Practices	<p>Through risk assessment and due diligence processes we identify what we deem to be financially material risks as well as potential negative environmental and social impacts, and ensure their adequate management. Third-party manager risk management practices and impact metrics are tracked.</p> <p>Where risk or impact management gaps are identified or where we deem problematic performance is noted, we might engage a manager to ensure adequate understanding of the issue and to gain confidence in appropriate risk and impact management. We actively vote, and where deemed appropriate will adjust our voting decisions based on our risk assessment and engagement outcomes.</p> <p>An expanded set of sustainability and impact factors are monitored as part of this process, as are governance, financial and risk metrics.</p> <p>Stewardship activities are governed by multi-asset specific Voting and Engagement policies, as well as through a firm-level Exclusions and Responsible Investment policy.</p> <p>Oversight is provided by a product Investment committee, as well as through firm-level Risk and Stewardship committees.</p>
Service Providers	<p>We conduct regular audits of our key service providers, including of those we use for our stewardship activities.</p> <p>Where we are of the view that a service provider does not deliver a service to the quality required to fulfil our stewardship ambitions, we might decide to terminate our service agreement.</p>

PRINCIPLE I

Private Capital

Objective	Generate long-term sustainable value for clients and beneficiaries.
Practices	<p>Through risk assessment and due diligence processes we identify what we deem to be financially material risks and ensure their adequate management. This includes financially material sustainability risks. Third-party manager risk management practices and key performance metrics are tracked and analysed.</p> <p>Due to the nature of our private capital investments, we have limited opportunity to engage managers on investments. Likewise, we have no opportunity to vote. In consequence, inadequate management of financially material risks are more commonly dealt with by us deciding not to engage in future investments with that manager. Oversight is provided by a product-level Investment Committee.</p>
Service Providers	<p>We conduct regular audits of our key service providers, including those we use for our stewardship activities.</p> <p>Where we are of the view that a service provider does not deliver a service to the quality required to fulfil our stewardship ambitions, we might decide to terminate our service agreement.</p>

PRINCIPLE I

STEWARDSHIP PRACTICES

Internal Expertise: Equity

The Global Best Ideas Equity Fund (GBI) and strategy invest in best-in-class businesses for their quality, strategic competitive edge, and value. The objective is to achieve long-term growth in capital in portfolios of high-quality listed businesses from around the world. There is a particular focus on the quality of management, sustainable growth, balance sheet strength, return on invested capital, free cash flow, and the ability to grow dividends each year.

The GBI team’s investment philosophy is built on four core pillars:



Through this approach, the team has always emphasised stewardship as parts of its investment process, including considering sustainability risks as an element of its broad research process and portfolio management considerations. The team believes that companies not actively addressing long-term risk exposures, including sustainability and climate transition risks, will be less able to generate future sustainable revenue and earnings growth. For its sustainability work, the GBI team works closely with Stonehage Fleming’s in-house Sustainability & Stewardship team, including for risk monitoring, engagements and topical or company-specific ESG research.

The GBI Fund maintains a core universe of approximately 150 companies, from which it selects 25-30 best-in-class companies to own for a long time (target >5 years). These companies are regularly monitored for their ESG risks and issues. All companies are screened for their quality via 15 tests on topics such as liquidity, profitability, leverage, and ESG characteristics.

PRINCIPLE I

Priorities & Pre-Investment

To aid our research process, we use the services of an independent ESG risk assessment provider, RepRisk. They use independently sourced data to provide a controversy-based ESG risk score and full detailed analysis, flagging specific risks and areas of concern. Our Sustainability & Stewardship team also provides topical and company-specific sustainability research.

We can often monitor a company for several years before making an initial investment. During that period, we may monitor it as closely as we would if actually holding it, to build our conviction in the investment case and the quality of the company.

Monitoring

All companies in the fund are continually monitored and assessed, including for their ESG risks. A core strength of our approach is our own in-house research capability that we rely on to form our opinions and to drive our investment decisions.

Our analysts conduct research and engage with companies. This can include sustainability topics, should controversy levels increase above a set threshold or in case of specific sustainability risk incidents. Such undertakings are supported by our Sustainability & Stewardship team.

Where deemed material the GBI team also consider sustainability metrics such as greenhouse gas emissions, use of renewable energy and any ESG risks that are specific to an industry. We then discuss whether the market would ever apply a penalty or premium based on the company's sustainability performance.

Within our core GBI fund we monitor our companies' commitments to the Paris Climate Pledge, their support of the TCFD and their signatory status to the UN Business Ambition for 1.5°C. We also encourage social progress and monitor our companies for their board diversity and pay equity through our voting practices.

PRINCIPLE I

Exit

We typically divest from a company for three reasons:

- ▶ We identify a superior quality company – an “even better idea”.
- ▶ It becomes materially overvalued.
- ▶ There is a structural/strategic change to the facts that led to our initial acquisition, which may include an increase in ESG risk.

In reasons one and two, the company most likely will remain in our core universe and could even be repurchased again. Therefore, we will continue to monitor and engage with it as we would any other name in the core universe.

Engagement

As GBI focuses on only the highest quality companies, we would rather sell a company that declines in quality rather than wait and engage with it actively in the hope of being able to bring about a turnaround in quality. Likewise, when coverage is initiated on a company, if it fails to meet the team’s required level of quality on its own merit, the fund is unlikely to engage with it to try to trigger change at the company. Still, the GBI research team will proactively engage with companies in its core universe to discuss and source relevant public financial, investment and strategic information, including sustainability. Discussions are often framed by our four-pillar approach, but may address any relevant issue, including one-off events such as corporate actions. As a result, the team conducts topical sustainability engagements focused on understanding financially material issues, such as climate governance and transition planning.

Engagement trends and examples for 2025 are presented under [Principle 3](#) in this report.

Voting

The Global Equity Management team takes its voting responsibilities very seriously. We have developed our own voting policy document over several years, and update it annually after each voting season to reflect on the developments in the investment community and governance best practice over the year. Our pre-vote research and analysis is supported via a subscription to the independent research of a proxy voting adviser. Since 2019, we have used Glass Lewis for this purpose, who provide us with independent information on each vote proposed to support us in making our own informed decisions.

We are not bound to follow Glass Lewis’ advice and often vote against them, where our own voting policy and/or research leads to a different view. We keep full records of all our voting activity, including Glass Lewis’ recommendation and where we may differ. The data is published on our [website](#). Glass Lewis’ research also gives us access to summary research by Sustainalytics, Arabesque and BitSight from which we have access to additional data on our companies’ sustainability performance, ESG risks and cybersecurity risks.

Voting trends and examples for 2025 are presented under [Principle 4](#) in this report.

PRINCIPLE I

Escalation

Where voting or engagement expectations are not met, the GBI team might initiate escalation measures as specified in its Engagement and Voting policy, including directly contacting management or the board, or collaborating with other shareholders to affect change.

As part of our 2024/25 climate engagement, it was decided to initiate escalation measures with a limited set of holdings due to what the team perceived as inadequate engagement. These focused on directly contacting senior management and board members. Further information on this is provided under [Principle 3](#).

Governance

The GBI Investment Committee holds the following formal meetings:

- ▶ Weekly Research Meeting, reviewing core universe companies, stock price performance, fund performance, key valuation metrics, and key strategic developments. At this meeting, prior or pending engagement with a company could be discussed and debated by the team.
- ▶ Monthly Risk Meeting, in collaboration with SFIM's Risk and Performance Team, the Committee reviews the fund's latest risk profile and factor exposures.
- ▶ Monthly Performance Meeting, looking back at historic, periodic absolute and relative performance of the Fund and its benchmark, the MSCI All Country World Total Return Index.
- ▶ Bi-Monthly ESG Risk meeting, in collaboration with SFIM's Sustainability & Stewardship Team. The Committee considers regulatory developments/requirements, the Fund's ESG risk profile, high ESG risk holdings, company engagements (including voting activity) and any other relevant sustainability issues.

In addition to these regular meetings, the GBI Investment Committee meets annually to review its Engagement and Voting Policy document, and if necessary, any other policy documents that it follows.

Sustainability Data

There are many industry providers who evaluate portfolios on the basis of different ESG scoring methodologies.

Our preference is to review multiple sources and then drill down at the stock level to understand what is driving a metric in a particular direction. There is currently no one-size-fits-all approach, and we try to review ESG-related scores with a sense of pragmatism rather than relying on a single headline number. We believe this is a better way to truly quantify the ESG-related risk within the portfolio.

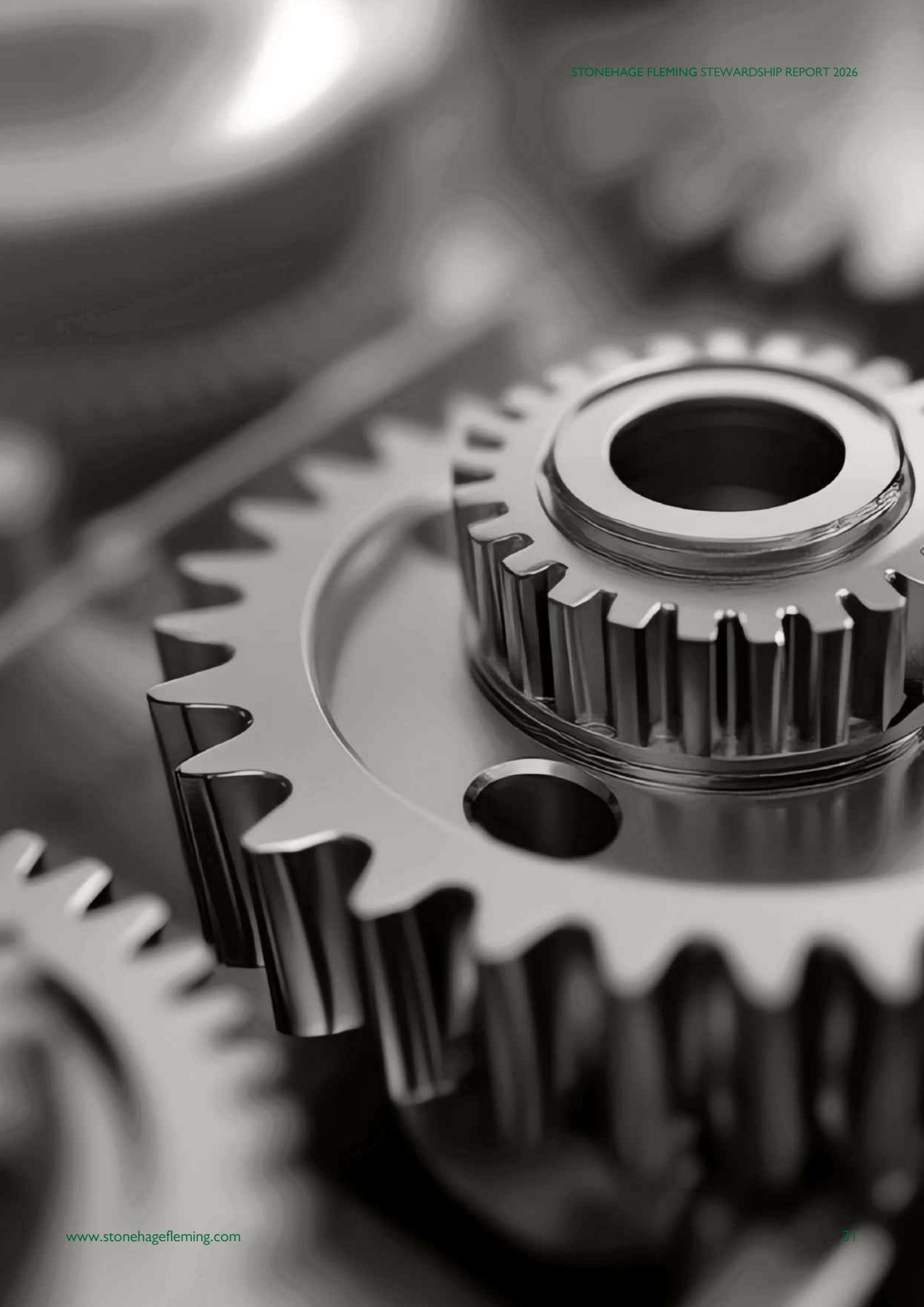
PRINCIPLE I

Internal Expertise: Direct Fixed Income

Our direct fixed income exposure to corporates is limited, with most of our allocation sitting with sovereigns. Investment decisions within the fixed income team are underpinned by bottom-up analysis. For corporate allocations, the investable universe is decomposed in order to look at companies at an individual security level. Credit analysis is conducted in-house using both internal and external resources in order to focus on the issuer's key fundamentals and risks, including but not limited to, ESG and Climate Risk.

While the team does not apply exclusions or explicit constraints, unless requested by a client, we recognise that sustainability factors are increasingly important inputs when evaluating companies. The team believe that companies that exhibit good sustainability credentials are more likely to have also addressed risks that can potentially impact them financially. Sustainability-related factors have therefore become a factor that can influence an issuer's credit spread and overall risk profile.

The team incorporate sustainability screens and trends available from various vendors, such as for companies, sectors, or countries, particularly Bloomberg, and use them as an input into the security selection process. This is included within our process documentation, ensuring we are integrating a consistent consideration of material sustainability factors into our investment research. Our change to make this more formal partly reflects the improvement in data quality.



PRINCIPLE I

EXTERNAL EXPERTISE

Our third-party manager selection is focused on capturing optimal long-term investment ideas through carefully selected funds and securities. Few exceptionally talented individuals invest well for long periods, and they won't all reside within a single firm. Our rigorous due diligence process meaningfully narrows the odds in favour of identifying talent.

SFIM UK believes that stewardship practices and an awareness of environmental, social, and governance risks and opportunities are factors to consider when selecting third-party managers. An assessment of this practice is part of our due diligence process for discretionary allocations. For its stewardship practices, the Investment team coordinates closely with our in-house Sustainability & Stewardship team.

Third-party Manager Selection

Stewardship and sustainability are approached differently for our core and responsible multi-asset propositions, as already discussed. While baseline stewardship principles are adhered to across our multi-asset offering, sustainability stewardship for our core offering focuses on identifying and managing financially material risks, while for our responsible offering environmental and social impacts are an additional stewardship consideration.

It is important to note that we do not have any segregated accounts today where we have specified the mandate to the manager. Instead, we allocate to third-party funds where the mandate is already defined, meaning we are unable to dictate the manager's approach to sustainability. Still, we can be selective in who we choose to partner with and engage with them along the way, particularly for our sustainable offering.

PRINCIPLE I

Priorities & Pre-Investment

Across asset classes and strategies, we have a set of baseline stewardship expectations for managers:

- ▶ **Adequate risk management:** We aim to partner with managers who analyse their companies in greater depth than most peers and hence have a better grasp of whether they are being compensated adequately for taking risk, including on ESG risks.
- ▶ **Appropriate level of responsible practices:** The degree of sustainability integration should be aligned with the investment philosophy of the strategy.
- ▶ **Good voting and engagement credentials:** Managers take their voting responsibilities seriously, engage where appropriate, and act in the best interests of investors, including on sustainability.
- ▶ **High-quality firm:** Whilst most importance is placed on the credentials of the strategy, it is also critical for the firm itself to have solid stewardship credentials and operational infrastructure, and no exposure to material controversies.

For all our discretionary third-party allocations, in order to evaluate a third-party strategy against the issues of importance to us, detailed research reports and meeting notes are kept. Within these, we detail and cover our view on manager's practices. As of early 2025, all of our research reports for new funds include sustainability sections that discuss how a manager performs on a list of stewardship and responsible investment aspects. To enable an informed decision-making in alignment with stated stewardship ambitions, we have:

- ▶ **Regular meetings:** To understand a strategy's research capabilities and investment process, including for sustainability, we will typically meet with the fund manager and their analysts on a number of occasions. This is pre and post investment.
- ▶ **Granular research:** Using tools such as Bloomberg, Morningstar, FactSet and sell-side providers, we build an understanding of broader macro and thematic trends. We review how managers respond to current and past events through their investment decisions.
- ▶ **Triangulation:** To better understand the manager and their firm, including stewardship credentials, we will often triangulate our work by getting references from other investors or past members of the team or firm.
- ▶ **Document and record reviews:** In assessing a manager's reports and records, we build an understanding of practice and ambitions. On voting, we will e.g. go through a manager's voting history to understand whether they vote on all resolutions, how often they vote against management, and challenge where a voting decision is unexpected.
- ▶ **Software tools:** Using third-party software tools, such as Inalytics, we assess the trading behaviour of a manager. This acts as useful supplementary evidence as to whether a manager's stated investment approach is corroborated by underlying data.

PRINCIPLE I

Monitoring

Whilst there is a lot of upfront work in establishing whether a third-party strategy is a good fit, there continues to be a high level of monitoring and engagement on an ongoing basis. We typically meet with managers twice per year, although in some cases it will be more, and we continually challenge those areas of priority to us. In addition to these meetings, we use a number of quantitative tools to continually assess the manager's skill set. Statistics such as voting data continue to be collected for our funds and we also received the responsible investments and regulatory reports (e.g. periodic SFDR disclosures) from managers who produce these.

We further conduct quarterly screenings for key products, for controversial exposures and ESG risk levels. Where potentially problematic exposures or risk levels are noted, we assess those internally and might engage with a manager.

Exiting

Our investment philosophy typically leads us to partner with managers for many years, but there will be occasions where we decide to disinvest from a strategy. There are a number of reasons why we might decide this is in the best interests of clients, including a drop in the conviction of the existing strategy, or a superior investment opportunity.

Engagement

Beyond regular meetings with managers, we conduct engagements where an issue is identified as being potentially financially material. For our core offering, this might include traditional fund governance, investment process or performance issue, but also elevated exposures to controversial activities or problematic ESG risk profiles. For our responsible proposition, engagements will further focus on issues we deem not in alignment with a manager's or the product's stated ESG ambitions.

Engagement trends and examples for 2025 are presented under [Principle 3](#) in this report.

Voting

We believe that voting can create value and it is in the best interests of our clients to ensure that votes on third-party fund investments are thoroughly looked into and advised on, and that underlying third-party managers conduct their voting and engagement activities to a level that is appropriate for the investment strategy. As such, it is our aim to vote for all our discretionary assets under management, except for cases of share blocking or where costs might be incurred for our clients.

Voting information for 2025 is presented under [Principle 4](#) in this report.

PRINCIPLE I

Escalation

We have a formalised approach for escalation for our external allocations, through our multi-asset Engagement Policy. Where the investment team identifies the need for escalation with a specific manager they might initiate this process upon their discretion.

Governance

Stewardship governance is integrated into investment processes and oversight across the organisation, with governance and oversight split across various bodies, including fund selection, product and firm-level investment committees, risk and third-party manager review meetings, as well as the Stewardship and Investment Sustainability Committee (SISC).

Responsible Investment Proposition

As already highlighted, our responsible investment proposition has more extensive stewardship ambitions than our core offering. Here, the team considers the merits of third-party strategies by systematically assessing both investment returns and the robustness of manager sustainability credentials.

The latter focuses on how convinced we are that managers, through their firm-wide practices and fund-level approach to integrating sustainability considerations into the investment process, contribute to positive environmental, social or governance outcomes.

This is assessed through a granular sustainability due diligence process and quantified by mapping the portfolios to the United Nations Sustainable Development Goals (UN SDGs) and a tracking of alignment over time.

For this proposition, we expect underlying managers to integrate environmental, social, and governance factors into the inputs and outputs of the investment process.

PRINCIPLE 2: PROMOTING WELL-FUNCTIONING MARKETS

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

RISK PROCESS AND GOVERNANCE

As defined previously, our purpose is to preserve and grow the real wealth of the clients we serve across multiple generations. Consideration of systemic risk is essential to the fulfilment of our stated purpose. A major adverse market event may result in market losses, but these should be recoverable and not result in the permanent loss of capital.

Most of our portfolios and products, therefore, are built with the following ideology, which serves to reduce the impact of systemic risk events:

- ▶ A long-term, multi-year mind-set.
- ▶ A diversified global orientation.
- ▶ An emphasis on high-quality investments.
- ▶ Avoidance of leverage.
- ▶ Avoidance of complexity.

While built to be robust and withstand a variety of market conditions, this requires constant appraisal and review of risk exposures.

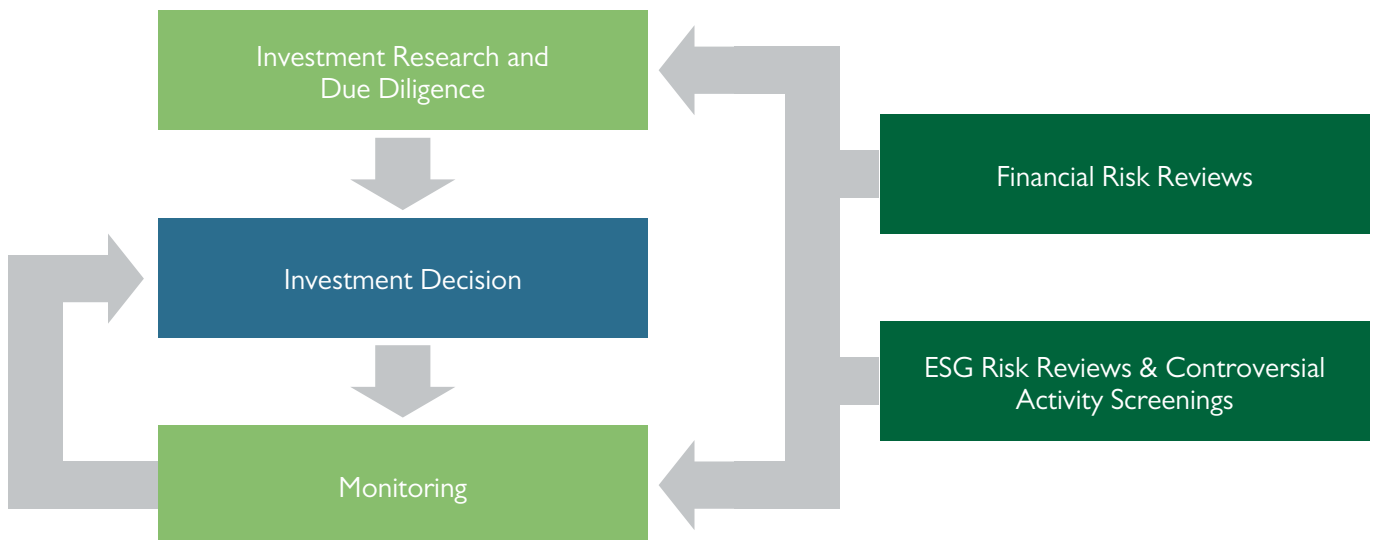
As such, risk management forms an important part of our investment process. For both our internal and external allocations, regular structured financial and sustainability risk reviews are conducted, with both feeding into the investment research and due diligence processes, as well as into the ongoing investment monitoring process.

In addition, regular investment screenings are conducted for both internal and external allocations, to flag potentially risk-inducing exposures to controversial activities such as coal, tobacco or controversial weapons. For our responsible proposition, a more extensive list of controversial exposures is screened for, including fossil fuel exposures and military contracting, recognising that risk in this case also encompasses potentially negative impacts for the planet and society.

Traditional financial risk reviews are provided by our Risk & Performance team, leveraging off risk reports and stress testing data from FactSet that enables us to conduct scenario analysis for a range of systemic risks. ESG risk reviews and controversial activity screenings are provided by our Sustainability & Stewardship team, utilising portfolio-level information on key ESG risk, performance and exposure metrics from Morningstar Sustainalytics.

PRINCIPLE 2

SFIM UK Risk Approach



Our firm and product Investment Committees takes responsibility for ensuring portfolio risks are adequately managed, for multi-asset portfolios and our direct equity products.

The firm's multi-asset Investment Committee is led by Graham Wainer (CEO Investment Management) and includes John Veale (Deputy CIO) and Peter McLean (Head of Multi-Asset Portfolio Solutions). The Committee meets at least once a month and is responsible for establishing our clients' strategic investment approach. This includes an appropriate risk framework, strategic and tactical asset allocation, and the implementation of portfolios with suitable investments. The committee also directs the ISR team's research agenda. The Investment Committee approaches market-wide and systemic risk from several different angles.

The Global Equity Management Investment Committee meanwhile takes responsibility for setting the strategic investment approach for GBI and other equity products. It is led by Gerrit Smit (Head of Global Equity Management) and includes other senior members of the equity management team.

PRINCIPLE 2

Our process and IC meetings enable a holistic review of systemic risk exposures, which allows us to evaluate the outcomes that our current portfolios might sustain during those events. This is helpful in assessing the sensitivity of our portfolios to systemic shocks and ensuring that the risk of the portfolios are commensurate with the risk tolerance of our clients. It also allows us to input alternative adverse scenarios (interest rate changes, currency fluctuations, etc.) and determine how these may impact portfolios.

We regularly share our view on key risks and market trends with our investors, through our Investment Outlook letters and other publications. In addition, we engage third-party managers and companies that we allocate to where we note unmanaged or problematic risk exposures, including systemic risks where we deem relevant. Considering the nature of systemic risks, we might decide to divest rather than engage. We do not currently engage with policy makers and other standard setters.

Further details on this are provided for [Principle 3](#) and [Principle 4](#). We do not currently engage policy makers.

KEY SYSTEMIC RISKS

For this year's report, we will focus on discussing a selection of key systemic risks that we deem of relevance for our portfolios. Through our globally diversified investment portfolios we have exposure to a wide range of geographies, industries, and types of businesses.

We currently see main investment related systemic risk exposures being the following:

- ▶ AI bubble.
- ▶ Geopolitical fragmentation.
- ▶ Global recession.
- ▶ Major climate and sustainability events.

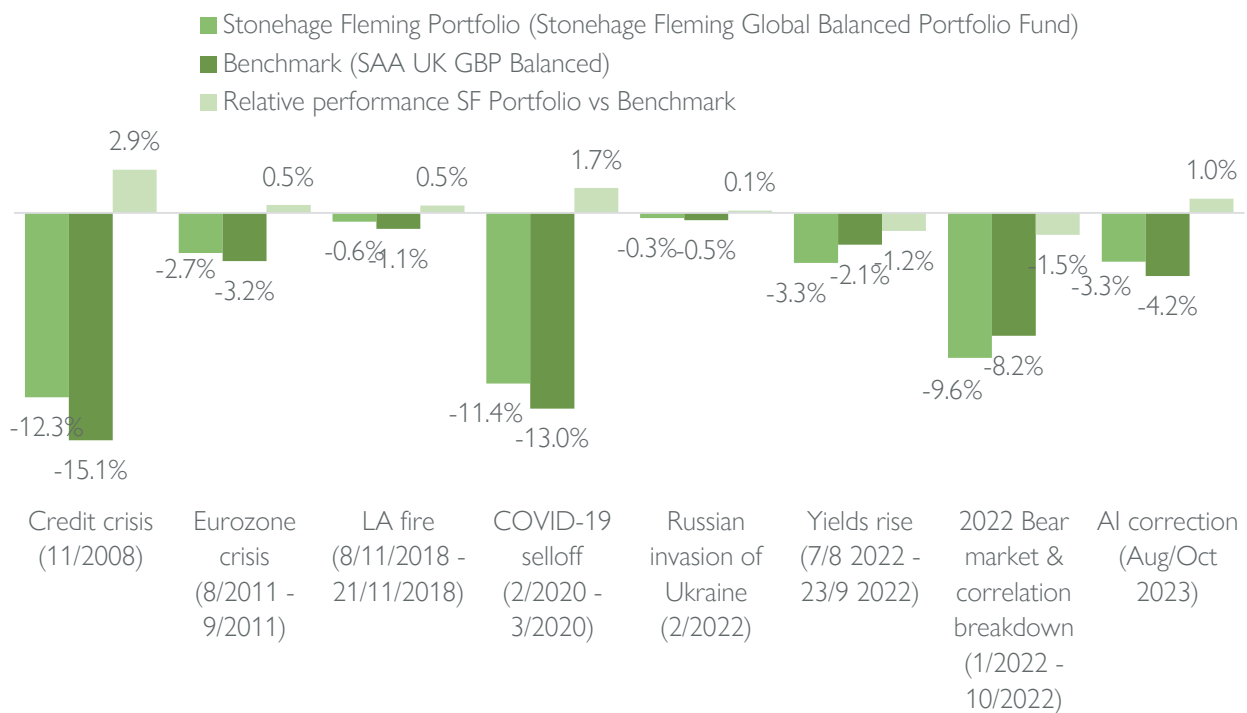
In addition, counterparty risks present a continuous risk.

The provided chart shows a sample of how these key risk scenarios are tracked by our Scenario Analysis tool. Such data allows us to see how a portfolio is likely to be impacted by either historical events or different hypothetical stress scenarios. While we cannot predict what might occur in the future, this sort of stress analysis is good at highlighting correlation risks which might not be as conspicuous when reviewing rudimentary exposure reports.

PRINCIPLE 2

We fully recognise that models are only as good as the data they draw upon.

Chart: Scenario Analysis¹



As such, we pride ourselves on the granularity of information we obtain from our third-party managers and underlying holdings. This information enables a more granular review of our portfolios on a ‘look-through’ basis, to engage with potential cross-holding or concentration risks, and to get a clear picture of exactly how and where our clients’ capital is deployed and potentially at risk. This in turn informs re-positionings and other portfolio changes made by our Investment Committees. It also enables us to provide comprehensive insights to our clients on how we think these key risks might play out.

For each of the risks we currently focus our attention on, a few research and commentary pieces are provided, to highlight the firm’s commitment to risk assessment and management of systemic investment risks.

¹ Source: Stonehage Fleming, Bloomberg, April 2026

PRINCIPLE 2

MANAGING RISK: AI BUBBLE

Considering the rapid rise in market capitalisation for AI stocks over the past years, and the widespread assumption that the technology will have profound impacts on work and life over the coming years, it is our view that AI presents a material opportunity but also risk for investors.

We regularly include an assessment of AI developments and their potential portfolio implications in our internal research agenda, as well as in materials that we share without clients. A few examples of our in-house research are presented below.



**PETER
MCLEAN**

Director - Head
of Multi-Asset
Portfolio Solutions

STONEHAGE FLEMING ANNUAL INVESTMENT OUTLOOK - JANUARY 2026

AI: An Inflection Point

Our **October Investment Outlook** examined the surge in AI-related capital expenditure, with US tech giants guiding toward roughly \$500 billion in infrastructure and AI investment this year. Whilst signs of a systemic bubble remain limited, sharp corrections in valuation and growth expectations among leading AI players are possible, making a measured approach to this explosive growth trend essential.

Market developments in recent months have underscored our outlook that AI is at an inflection point, as investor sentiment rotates from 'enablers' to 'adopters'.

The AI narrative to date has largely centred on companies producing AI-critical infrastructure and powering models and applications. Since the launch of ChatGPT in 2022 — OpenAI's Large Language Model (LLM) — major tech firms have experienced surging share prices on announcements of expanded capital spending. With hundreds of billions of Dollars flowing into data centre construction and maintenance, US technology firms such as Alphabet, Microsoft, Meta, and Amazon are racing to secure market share, while NVIDIA has enjoyed extraordinary revenue and stock appreciation as the leading supplier of AI-critical semiconductors.

PRINCIPLE 2

Recently, however, investor sentiment has grown more cautious. The financing backdrop is shifting, with greater reliance on debt and signs of speculative excess. Oracle, for instance, issued a record \$18 billion in bonds in September to fund aggressive AI capex, making it the largest non-financial investment-grade issuer. CoreWeave, an emerging AI infrastructure player partly owned by NVIDIA, has also taken on significant leverage, raising questions about long-term sustainability.

Both companies have faced sharp share price declines over the past year, underscoring a broader trend: as the AI investment cycle evolves, investors are becoming more discerning. Capital intensity and debt-driven growth are attracting scrutiny, signalling that selectivity and risk awareness are increasingly critical for investors navigating this evolving landscape. This supports an actively managed investment strategy to identify companies across the AI ecosystem that are well-placed to capture the next phase of growth.

Bottom line: The AI investment landscape is shifting from capital-intensive enablers that dominate market indices toward broad-based adopters across industries, where integration of AI can drive sustained profitability. While we see little evidence of a systemic bubble, the market is becoming increasingly discerning, underscoring the need for selectivity and an actively managed investment approach.



PRINCIPLE 2



ALASTAIR DEAN

Director - Investment Strategy and Research

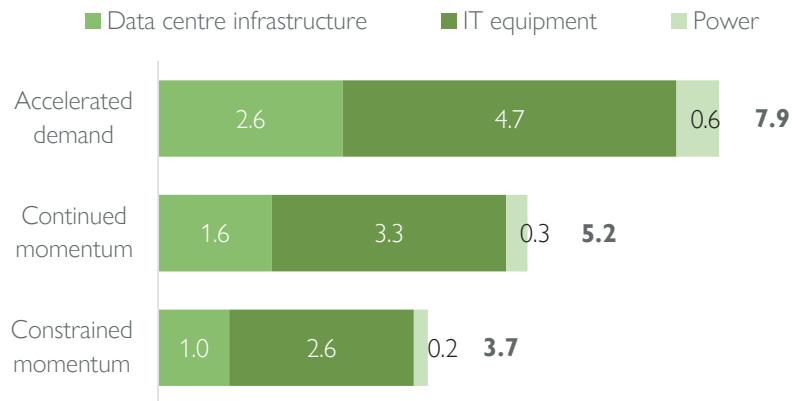
GLOBAL THEMATIC INVESTMENT PORTFOLIO INVESTMENT REVIEW - Q3 2025

AI, investment cycles and the value of selectivity

AI remains the defining market theme of 2025 and is entering what scientists describe as a “phase shift”, a move from incremental improvement to widespread application. The scale of spending is remarkable: Alphabet, Amazon, Microsoft and Meta together plan to allocate more than \$320bn¹ on AI-related infrastructure this year, and some estimates suggest cumulative capital expenditures on AI data centres could reach \$8tn over the next five years². Yet the most prominent AI software company, OpenAI, is only estimated to generate about \$13bn³ in revenue this year.

Chart: Capital requirements for AI infrastructure could total \$3–8 trillion by 2030⁴

Global data centre total capital expenditures driven by AI, by category and scenario, 2025-2030 projection, \$trillion



¹ Source: CNBC, “Tech megacaps plan to spend more than \$300 billion in 2025 as AI race intensifies”, Feb 2025
² Source: McKinsey, “The cost of compute: A \$7 trillion race to scale data centers”, April 2025
³ Source: Techcrunch, “OpenAI has five years to turn \$13bn into \$1tn”, October 2025
⁴ Source: McKinsey “The cost of compute: A \$7 trillion race to scale data centers”, April 2025

PRINCIPLE 2

This investment cycle is not solely about returns. For large cloud computing providers, AI investment is existential: if one slows or stops while others accelerate, it risks strategic erosion of their businesses. Geopolitical competition between the US and China is also a key driver. As a result, spending could remain elevated until one of three conditions emerges: adoption falls short of expectations, a technological breakthrough lowers the cost of AI dramatically (as we saw with the “DeepSeek” moment earlier this year), or constraints on power, resources and capital force a reset – a potential “Minsky moment”.

Adoption could be rapid given network effects of the technology and the ubiquity of connected devices and could impact every part of the economy. As Jensen Huang, NVIDIA CEO’s, puts it;

“Every company, every industry, every country will be transformed by AI”.

That said, the pace of adoption will vary across layers of the economy. Software and applications can scale quickly, infrastructure evolves more slowly, but organisational and regulatory adaptation can take years. Today, investment is happening at software speed, while adoption is moving at organisational speed. These mismatches can produce short-term volatility even if the long-term outcome is higher productivity and investment returns. There is also the question of monetisation: ChatGPT reached around 100 million users within weeks and now has roughly 800 million users, yet only a fraction, 5%, actually pay for a subscription.

This contrast between the extraordinary conviction in spending by the cloud platforms and the slower reality of adoption captures the essence of the current cycle.

What is different in this investment cycle, and what is familiar?

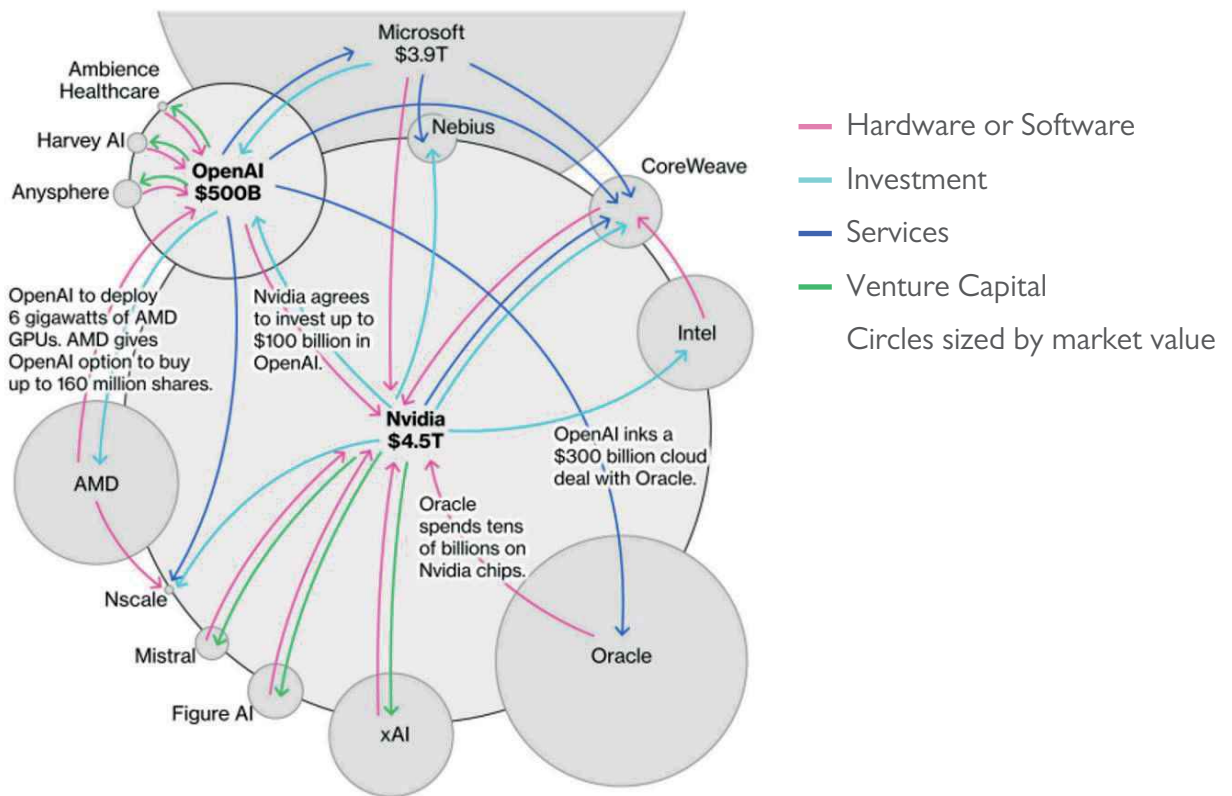
Several differences from prior investment booms stand out, some positive, others less so.

- ▶ **Funding discipline:** Unlike the debt-fuelled telecom boom of the dotcom era, AI capital expenditure is being financed largely from operating cash flow, reducing systemic risk. That said, we note early signs of leveraged financing structures emerging. If the “AI spending tap” was turned off, pressure would likely manifest in private credit structures linked to infrastructure rather than in the cash flows of the large technology incumbents.
- ▶ **Asset Lives:** The compute (‘chips’) stack refreshes on three-to five-year cycles, whereas fibre and physical networks amortise over decades. This makes AI investment appear continuous rather than episodic and means operating expenditure will matter as much as capital expenditure.
- ▶ **Finally, physical constraints:** Power availability, chip supply, and grid capacity act as natural governors. Adoption could be rapid and broad but remains uneven and profitability dependent. AI investment is also arguably still in its early stages compared to prior investment cycles.

PRINCIPLE 2

And yet, there are familiar echoes of prior booms. Vendor-financing loops are one example. The intricate web of relationships among leading players, for instance NVIDIA’s \$100 billion commitment to OpenAI (majority-owned by Microsoft), Microsoft’s procurement from Oracle (a key NVIDIA client), and NVIDIA’s stake in CoreWeave, underscores the interconnectedness of the AI ecosystem. While this network accelerates innovation, it also amplifies sentiment risk: weakness in one area could reverberate across the theme.

The interdependency of the AI ecosystem could amplify a deterioration in sentiment⁵



Where does that leave us? We do not see a classic, economy-wide bubble. In fact, we are likely still in the early stages of the investment phase. Most investment is cash-funded, not debt-driven; early productivity gains are measurable; and physical constraints act as natural governors. But we do see localised excesses with certain sub-sectors and small caps trading on story-rich multiples, or business models reliant on continued external funding.

We believe it would be a mistake to stand aside from AI because some corners of the market are frothy. These risks are best managed through active selection, not blanket avoidance.

⁵ Source: Bloomberg News, October 2025

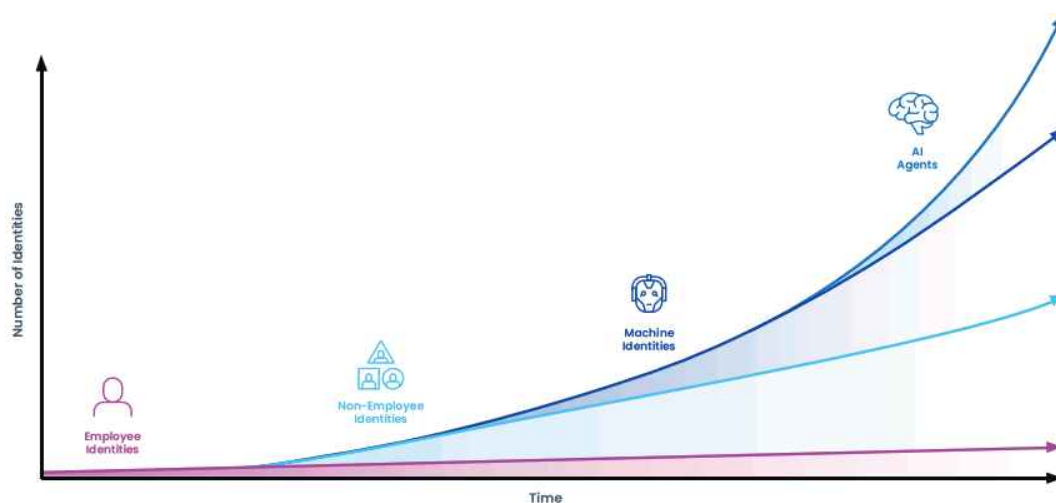
PRINCIPLE 2

Where AI economics are already visible, and where new markets may emerge

The clearest success so far is digital advertising, which is already a vast market. Google’s Performance Max and Meta’s Advantage+ use AI to optimise targeting, bidding and creative, improving return on ad spend and margins. Both companies have reported double-digit gains in ad efficiency and stronger margins despite flat volumes, a tangible conversion of AI into operating leverage.

AI’s next phase is likely to focus on AI agents, software that acts on our behalf to book travel, make purchases, schedule meetings or analyse data. Each agent must be verified and monitored, which requires a secure digital identity. In the physical world each person has one identity, but in the digital world a single individual might manage dozens of agents, and agents may interact with agents. This creates a new infrastructure layer: identity management. Spending on identity and security systems is already growing as businesses prepare for this shift.

The explosion in number and types of identities is creating significant complexity for modern enterprises⁶



Security will be a critical challenge. Recent vulnerabilities, such as the “EchoLeak” exploit disclosed in Microsoft 365 earlier this year, shows that AI systems can be manipulated to leak sensitive data without any user action.

The risk is structural: AI agents operate at machine speed, often with broad permissions, and can be tricked in ways that humans might not anticipate. This is driving demand for “zero-trust” security models, which assume no system or agent is trusted by default, and use strict identity checks, temporary credentials and continuous monitoring.

In short, identity is becoming the control point for AI security. For investors, this means that alongside the obvious beneficiaries, hyperscale cloud platforms and semiconductor firms, there is a growing opportunity in identity governance, “zero-trust” security and AI-native cybersecurity.

⁶ Source: Sailpoint, September 2025

PRINCIPLE 2

MANAGING RISK: GEOPOLITICAL FRAGMENTATION

Geopolitical ruptures have over the past few years shown how easily an economy that is built on global interconnectedness can be disrupted.

The Russian invasion of Ukraine for example, has both had a profound impact on European energy security, as well as equally impactful regional humanitarian consequences. To this date, it continues to represent a systemic and market-wide risk. SFIM UK has in response taken a number of steps over the last years, such as a proactive portfolio re-positioning and an enhancement of our sanctions management process.

Similar potential for global disruption has been witnessed as recently as April 2nd, 2025, during the US administration’s “Liberation Day” global tariff impositions, or with the 2026 Iran War.

We therefore believe that a proactive monitoring and positioning on geopolitical risks is pertinent and engage with such risks through regular thought pieces.



**ALASTAIR
DEAN**

Director -
Investment Strategy
and Research

GLOBAL THEMATIC INVESTMENT PORTFOLIO INVESTMENT REVIEW - Q2 2025

Reshoring: A Strategic Shift in Supply Chains

Tariffs, geopolitics, and industrial policy are accelerating the return of manufacturing to U.S. soil. The Inflation Reduction Act, CHIPS and Science Act, the Bipartisan Infrastructure Law, and Infrastructure Investment and Jobs Act have collectively added significant amounts of public and private capital to the infrastructure space. The Trump Administration also recently signed the One Big Beautiful Bill Act (‘OBBBA’) into Law, which furthers these incentives with accelerated depreciation for tax purposes as well as allocating additional funds for Defence initiatives and Homeland and Border security. These efforts are reshaping physical infrastructure needs—from semiconductor fabs in Arizona to battery plants in Michigan. Tariffs and national security concerns are also prompting onshoring of pharmaceutical supply chains, where dependence on overseas production (especially from China and India) has created vulnerabilities. Eli Lilly, recently committed \$27bn to build four new US “mega-sites”, focused on pharmaceuticals, creating around 13,000 high wage jobs and supporting nearly 10,000 construction jobs⁷.

⁷ Source: MarketWatch – Eli Lilly to spend \$27bn to expand US manufacturing with four new sites, February 2026

PRINCIPLE 2

“Building resilience in our supply chains is not a partisan effort. It’s a national priority borne out of hard-fought experience.”

Former National Economic Council Director,
Lael Brainard Dec 2024

*“Building resilience in our supply chains is not a partisan effort.
It’s a national priority borne out of hard-fought experience.”*

Former National Economic Council Director, Lael Brainard Dec 2024

Second-order effects are emerging. Manufacturing construction spending has nearly doubled since 2021⁸ and many of these facilities are being located in the Midwest and Southeast, areas which haven’t seen major industrial buildouts in decades, potentially creating a long-term economic renaissance in these regions. This wave of reshoring is also energy-intensive: chip fabs, for example, use 5 million gallons of water a day⁹ and require highly reliable electricity supply. This is creating additional demand for raw materials, construction materials, water treatment, and electrical components like transformers. As such, firms with strong procurement networks, vertical integration or those with local production advantages, may gain market share or pricing power.

Long-Term Implications for Investors

As we look ahead, the most attractive opportunities to us lie where physical constraints meet durable demand. We see this most clearly in utilities, infrastructure enablers, industrial metals, and zero-carbon energy sources.

⁸ Source: Treasury Dept – *Unpacking the Boom in US Construction of Manufacturing Facilities*, June 2023

⁹ Source: *ConstructionDive.com*, Sept 2024

PRINCIPLE 2

MANAGING RISK: GLOBAL RECESSION

We have seen a rising worry of different risk combinations materialising in a global or regional recession. We regularly discuss and monitor market views on this risk and factor it into our portfolio construction process.



**PETER
MCLEAN**

Director - Head
of Multi-Asset
Portfolio Solutions

STONEHAGE FLEMING ANNUAL INVESTMENT OUTLOOK - JANUARY 2026

Global Growth Supported: Policy Tailwinds Prolong Cycle

US: politics in the driving seat

Following three years of strong post-pandemic growth, the US economy softened last year, shaping policy priorities in this mid-term election year. Affluent households continue to enjoy the wealth effects of sustained equity gains, amplified by explosive AI-driven capital investment. In contrast, lower and middle-income segments remain exposed to slower hiring and high borrowing costs. The recent release of labour market data for the October and November period, when the US government was in shutdown, revealed that the pace of private sector employment growth is close to zero, lifting the unemployment rate. For investors, this 'K-shaped' dynamic is critical - if employment continues to weaken and financing conditions remain restrictive, the slowdown could tip into recession, weighing on corporate earnings and equity returns.

Growth and affordability will therefore dominate the political agenda as mid-term elections approach. After a year focused on protectionist measures, President Trump faces weak approval ratings on economic stewardship, prompting a pivot toward pro-growth policies and an attempt to restore confidence. The administration will be aware that pursuing a trade war is damaging their popularity with voters, making them more likely to strike deals and reduce tariffs in the coming months.

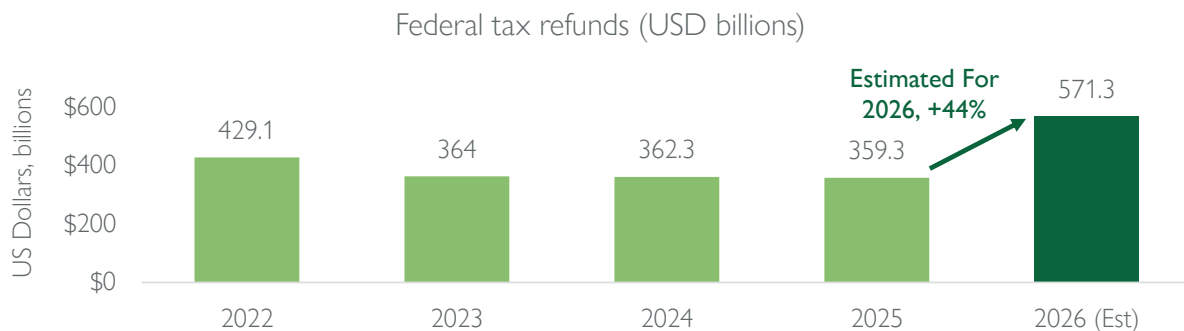
Having faced policy headwinds from tariffs, elevated rates and a government shutdown, consumers face a more supportive environment in 2026.

PRINCIPLE 2

In particular, the Federal Reserve is set to continue cutting interest rates, a move that is consistent with an economic backdrop of weakening labour markets and declining inflation. Earlier fears of a second inflation wave, fuelled by tariffs and rising wages, have proven unfounded. Inflation has slowed as consumer spending moderated, oil prices declined, and the housing market weakened under the weight of restrictive interest rates. These dynamics have driven rental inflation lower – a meaningful component of household spending. As Goldman Sachs Global Research argues, “shelter inflation is set to sustainably undershoot its pre-pandemic pace... the official core PCE inflation rate inclusive of tariff effects is likely to reach 2.2% by the end of 2026.” This reinforces our view that price pressures are easing rather than reaccelerating. Beyond the economic case for rate cuts, the political dimension is also important. By mid-next year, a change is due in Federal Reserve leadership, with the new chair likely more sympathetic to President Trump’s calls for lower rates. This shift, combined with a backdrop of disinflation and subdued growth, points toward a continued period of monetary easing.

Fiscal policy is also expected to become more supportive this year. Last year’s ‘One Big Beautiful Bill Act’ introduced consumer-focused measures, including federal tax refunds projected to rise by \$150 billion in 2026 (see chart) around 0.5% of GDP.

Chart: Federal tax refunds will support consumer sentiment¹⁰



The administration is also exploring ways to stimulate the housing market, with options such as portable mortgages and lower deposits for first-time buyers under consideration. According to Kevin Hassett, National Economic Council director and leading candidate for Federal Reserve chair, “we have a big list of housing ideas that have been vetted very carefully by the cabinet secretaries to present to the President¹¹.” Furthermore, revisions to business expensing and depreciation rules are expected to deliver over \$230 billion in corporate tax relief, primarily through incentives for R&D, property investment, and capital expenditure.

Bottom line: US growth slowed as equities surged in 2025, leaving the economy in an imbalanced and vulnerable position. Yet the policy backdrop is turning notably more supportive after a year of tariffs, shutdown, and restrictive rates. Consumers and businesses are set to benefit from a wave of tax reliefs and reduced borrowing costs, which stands to reinvigorate the business cycle in 2026 and support earnings growth. Whilst we will be watching these developments closely, the backdrop for US equities remains constructive for long-term investors.

¹⁰ Source: Strategas Research Partners, November 2025

¹¹ Source: Barrons, Fox News Sunday, Strategas Research Partners, December 2025

PRINCIPLE 2



PETER
MCLEAN

Director - Head
of Multi-Asset
Portfolio Solutions

STONEHAGE FLEMING QUARTERLY INVESTMENT OUTLOOK -
JULY 2025

Global Growth Expectations have Rebalanced

The primary driver of the US dollar’s weakness this year has been the narrowing gap in growth expectations between the US and the rest of the world. At the start of the year, US economic growth for 2025 was projected at 2.0–2.5%, while Europe’s outlook languished below 1%. Today, both regions are expected to grow at a more modest 1.0–1.5%.

This shift reflects a reassessment of the post-election economic outlook: initial optimism for a surge in US growth under President Trump has faded, as his agenda has leaned more toward protectionism and geopolitical restructuring than broad-based economic stimulus that characterised his first term. Meanwhile, Europe’s outlook has improved, driven by a policy pivot under newly elected German Chancellor Friedrich Merz, who has championed fiscal expansion and pro-growth initiatives, particularly in defence.

While growth expectations have broadly converged, the case for further US downgrades without similar or larger revisions in Europe appears limited. US growth is moderating as tariff-related headwinds begin to take effect, but given their export exposure to the US, other economies are likely to follow.

In this environment, US assets continue to offer key defensive characteristics—supported not only by market depth and earnings resilience, but also by a favourable real interest rate differential, which enhances their relative appeal during periods of slower growth and heightened uncertainty.

PRINCIPLE 2

MANAGING RISK – CLIMATE CHANGE AND SUSTAINABILITY

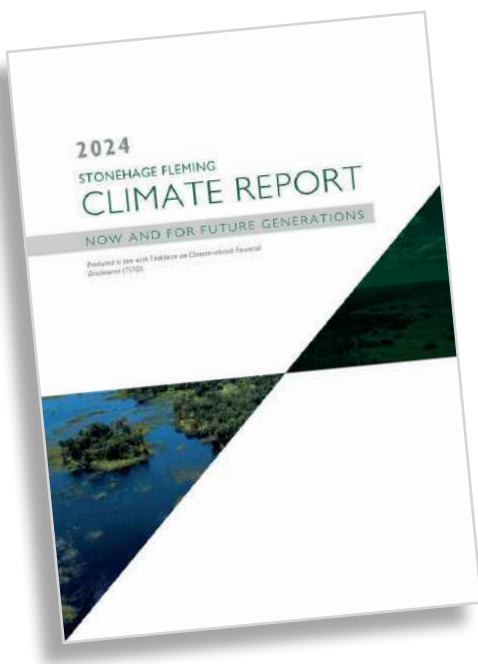
Climate change, nature, and social events present significant risks to the health of the financial system. As an organisation, we have over the past few years been on a journey to better understand, monitor and manage climate and other sustainability-related risks.

The introduction of a regular ESG risk review and controversial exposures screening for our external allocations in 2025, as well as our annual Task Force on Climate-Related Financial Disclosures (TCFD) entity and product disclosures, present our commitment to understanding and managing sustainability risks adequately.

Our annual TCFD entity disclosures present how we conceptualise and assess climate risk exposures in our portfolios, but also for the broader business. Meanwhile, our ESG risk reviews and controversial activities screenings provide a regular sense check for portfolio performance and exposures to a range of sustainability factors that could cause financially material impacts.

We recognise that better climate and sustainability risk management will be an ongoing endeavour for us, and we believe that over the past years we have made material progress.

Considering the nature of our investments, we decided to assess climate and sustainability risk exposures of our portfolios relative to broader markets. This, in recognition that climate and sustainability risks can often be endemic, meaning that rather than avoiding them our aim is to ensure healthy exposure levels.



Stonehage Fleming 2024 TCFD Report

For further information on our climate risk governance, strategy, risk management and performance please see our 2024 TCFD report.

PRINCIPLE 2

MANAGING RISK: BUSINESS FAILURE- COUNTERPARTY RISK

Counterparty Risk

The due diligence we perform on counterparties looks to identify systemic risks which may impact our clients as well as the functioning of the broader financial system. We review our core custodians in the following way and provide a relevant example from the reporting period.

Biennially	On a biennial basis, all approved brokers are reviewed by the SFIM UK Dealing team to ensure they are meeting agreed service levels and remain appropriate for use.
Annually	The Operations team send an annual due diligence questionnaire to each of our core custodians. Questions include staff turnover, potential legal actions and media coverage. We also receive the latest financial results and AAF reports. Since 2022 we include a section on ESG policies and participation.
Quarterly	CDS spreads for those core custodians and approved brokers available on Bloomberg are reviewed quarterly and data presented to the Risk & Controls Committee. Any concerns are immediately escalated. In periods of financial stress or if a counterparty is seen as a higher risk, monitoring will be completed more frequently and a formal due diligence review can be completed.
Monthly	CDS spreads for those core custodians available on Bloomberg are assessed monthly. Any concerns are immediately escalated. In periods of financial stress, or if a counterparty is seen as a higher risk, monitoring will be completed more frequently and a formal due diligence review can be completed.
Ongoing	Anyone within the organisation can recommend a suspension of trading with a counterparty at any time if information becomes available through the various monitoring frameworks. In addition to the CDS monitoring performed by the Performance & Risk team, we also engage a third-party credit ratings agency who provide a continuous credit monitoring function and advise on any material changes to the credit rating for each counterparty. This data is monitored by the Risk & Controls Committee on a monthly basis.

PRINCIPLE 2

Counterparty Risk Assessment

The following example highlights a case of enhanced due diligence we conducted on one of our service providers, following the noting of concerning signals through our ongoing monitoring.

In 2022–23, we conducted enhanced due diligence on one of the operational service providers following concerns over the financial health of the business. A related entity to the one we are contracted with received a large regulatory fine and redress payments, which could pose a risk to the survival of their overall business.

We had several meetings with the firm to better understand their position and sought the opinion of the Fund Directors. We decided that we should take action to protect our clients in case the firm went into administration and performed extensive due diligence on four alternative providers. Once the due diligence was completed, a decision was taken to move to a new provider with strong financial health and an excellent track record in providing such services. The move to the new provider was completed in quarter three 2023.

Third-party Manager Failure

We manage the risk of failure by a third-party manager by conducting extensive and detailed upfront due diligence and then in-depth, ongoing monitoring. For further information please see [Principles 1](#) and [5](#).

PRINCIPLE 3: ENGAGEMENT

Signatories engage to maintain or enhance the value of assets

ENGAGEMENT APPROACH

All of our investment strategies actively engage with issuers to maintain and enhance the value of the assets we hold on behalf of our clients. This is predominantly done independently from other investors, but we will collaborate on select items or expect our managers to collaborate on our behalf. We also view the escalation of stewardship activities and influencing issuers in this regard as integrated into the maintenance and enhancement of value.

In 2023 we adopted a revised approach to engagements across SFIM UK, focusing on four key themes. This approach aims to leverage one or more of the four E's below to benefit current and future internal and external stakeholders, including our clients. It will further enable us to better define, track and progress sustainability-related stewardship activities.

<p>01 EXPLORE</p>	<p>Understand current standing, strategy and outlook.</p>
<p>02 ENCOURAGE</p>	<p>Drive conformity with universally agreed targets and standards.</p>
<p>03 ENHANCE</p>	<p>Change practices based on identified key risks or gaps in practices.</p>
<p>04 EXPERIENCE</p>	<p>Advocate on behalf of clients or own priorities, for enhanced outcomes.</p>

Putting our updated engagement approach to use, we conducted engagements on the four E's with 30+ direct equity holdings. We further conducted engagements with most of our third-party managers on their approach to responsible investment and climate risk management, as well as more limited scope engagements focused on sub-sets of managers or individual managers throughout the year. We plan to further expand our engagement programme in 2026, and to conduct follow-up engagements where deemed relevant.

PRINCIPLE 3

ENCOURAGING RESPONSIBLE PRACTICES

We take many active steps to engage with others, including influencing issuers to address systemic risks within their portfolios. Since 2023 we conduct annual sustainability-focused engagements, engaging companies and third-party managers on issues such as nature, climate, DE&I or sustainability-linked remuneration, trying to understand their responsible investment practices and encourage improvements. Further information on this is provided in this section and against [Principle 5](#).

INTERNAL EXPERTISE

GBI Team

Engagement

The Global Best Ideas team proactively engages with company management, as described for [Principle 1](#) and in our [Engagement and Voting Policy document](#).

Engagement is integrated into the investment process as part of the initial due diligence and through ongoing monitoring of an investment. In our detailed investment research reports, we consider, amongst many other things, the most salient investment topics, strategies, risks, and uncertainties and in so doing identify key questions and topics requiring further engagement with management.

We will engage with companies when seeking information to build our conviction in our investment case. Whilst engagement is not a mandatory pre-requisite for investment, it is common for us to monitor a company for many years before making an initial investment, during which multiple engagement events may occur.

Escalation

As part of our engagement process, escalation measures have been introduced into our Engagement and Voting Policy, for cases where we are of the view that without additional measures an engagement will not produce desired outcomes. For further information on the GBI escalation process please see [Principle 1](#) and the fund's [Engagement and Voting Policy](#) document.

Collaboration

We recognise that collaborative engagement in some instances can be more impactful and lead to better outcomes.

One of the developments in 2022 was to enter an agreement with Atlantic Equities who facilitate corporate access to leading US companies.

Through Atlantic we have been able to engage with many of our US investments, along with their other clients, attending Group and one-on-one meetings with Senior Management and Investor Relations departments. This has granted us access to companies that we previously struggled to engage with and provided an additional access point for more collaborative engagement.

PRINCIPLE 3

Engagement Summary GBI Team

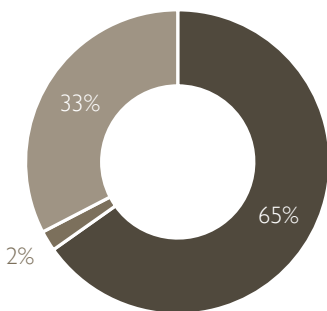
Since the end of 2020, we have provided an annual report for the Stonehage Fleming GBI Fund on our website, detailing our engagement activities alongside disclosure on our Proxy Votes.

This report includes:

- ▶ A description of voting behaviour.
- ▶ Data on our voting activity in the year.
- ▶ An explanation of the most significant votes.
- ▶ The use of the services of proxy advisers.
- ▶ A description of how we have cast votes in the general meetings of companies.

Key engagement themes and trends for 2025 have been a continued focus on climate risk management and an encouraging of our holdings to re-assess their climate change approach and enhance their corporate practices, where material gaps in practices or ambitions had been noted. In addition, broader financial performance-related engagements continue to be a focus for us, aimed at exploring and better understanding corporate market positioning and performance outlooks.

Chart: Engagement Topics—2025



- Climate
- Supply chain
- Financial performance

Chart: Engagement Trend (Count per year)

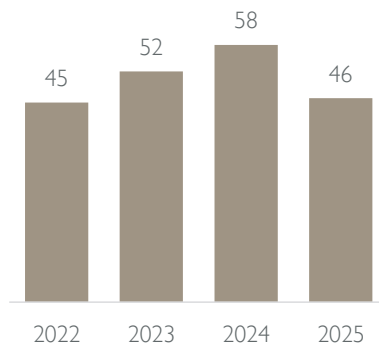
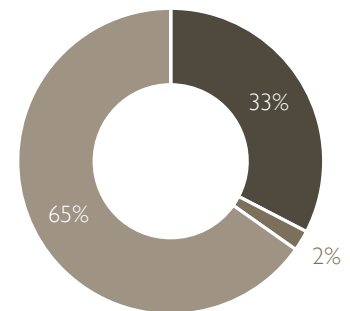


Chart: Engagement Types



- Explore - Understand current standing, strategy and outlook
- Encourage - Drive conformity with universally agreed targets/standards
- Enhance - Change practices based on identified key company risks/gaps

PRINCIPLE 3

Number of companies owned during the reporting period	32
Number of engagements with Fund holdings excluding AGM and EGM votes	5 ad-hoc (vs. 20 in 2024) 25 under our annual ESG engagement initiative
Total number of all company engagements by Fund team	40 (vs. 60 in 2024)
Number of AGMs voted	24 AGMs, 0 EGMs
3rd Parties providing additional engagement on our behalf	Glass Lewis (on governance and remuneration best practice issues)
Number of AGMs not voted (where eligible)	0
Reasons for not voting	n/a
Number of companies owned with no vote entitlement	1 – Alphabet Whilst our shareholding in Alphabet has no vote entitlement we still review and appraise each company and shareholder vote and the overall governance quality of the company
Number of Company-organised Investor/Capital Market events attended	20
Number of direct meetings with Company Management present	12 (vs. 17 in 2024)
Number of direct meetings with Independent Board Members	0
Number of formal communications to Companies (letter or email)	27 (under annual ESG engagement initiative)

PRINCIPLE 3

GBI Climate Engagement

In late 2024, our Sustainability & Stewardship team initiated an engagement with all companies then owned in the GBI fund. Many of the fund’s holdings have a global footprint and supply-chains and we hold them to above average standards of execution to ensure their climate risk exposures are robustly managed. Failure to manage climate risks could result in financial penalties, litigation, customer boycotts, product bans, etc., all of which could have a material impact on the sustainable growth and profitability of a company.

Our engagement so far had three distinct phases: Risk assessment, engagements and escalation.



Time	October – November 2024	December 2024 – October 2025	October 2025 – Ongoing
Purpose	<ul style="list-style-type: none"> ▶ Assess climate risk exposures and climate risk management at fund holdings. 	<ul style="list-style-type: none"> ▶ Engage all fund holdings. ▶ Review response quality, re-engagement until satisfactory response has been received. ▶ Where response quality does not improve, assess adequate escalation measures. 	<ul style="list-style-type: none"> ▶ Initiate and pursue escalation measures for companies that have not provided satisfactory response.
Scope	<ul style="list-style-type: none"> ▶ Qualitative research, including company reports. ▶ Quantitative reviews, including ESG data providers. 	<ul style="list-style-type: none"> ▶ Emails and letters to company contacts. ▶ Quarterly response review and follow-up emails and letters. 	<ul style="list-style-type: none"> ▶ Escalation emails and letters, including to board of directors.

PRINCIPLE 3



PHASE I—Risk Assessment: For the engagement, we first conducted a data-driven climate risk review of the fund’s constituents in late 2024, classifying their climate risk profile along four dimensions, using 20+ datapoints provided by various of our ESG data vendors. As seen below, the primary risks for the GBI fund were identified as lying in high-emissions levels and potentially negative revenue impacts relating to climate change for a limited set of holdings. Meanwhile, large parts of the portfolio showed robust climate governance and only a moderate to low level of physical climate risk exposures was noted. These moderated the climate risk profile of fund constituents. Overall, we were pleased with the presented picture, as it reconfirms our approach to focusing on well-governed high-quality companies with forward-looking risk management.

GBI Fund - Climate Risk Review	Emissions Level	Physical Asset Risk Level	Governance Gap	Expected Negative Revenue Impact
Below Average Risk	41.4%	20.7%	48.3%	51.7%
Average Risk	24.1%	58.6%	41.4%	10.3%
Above Average Risk	31.0%	10.3%	10.3%	37.9%
No Sufficient Data	3.4%	10.3%	0.0%	0.0%

Source: Mix of data from various sustainability data providers, October 2024

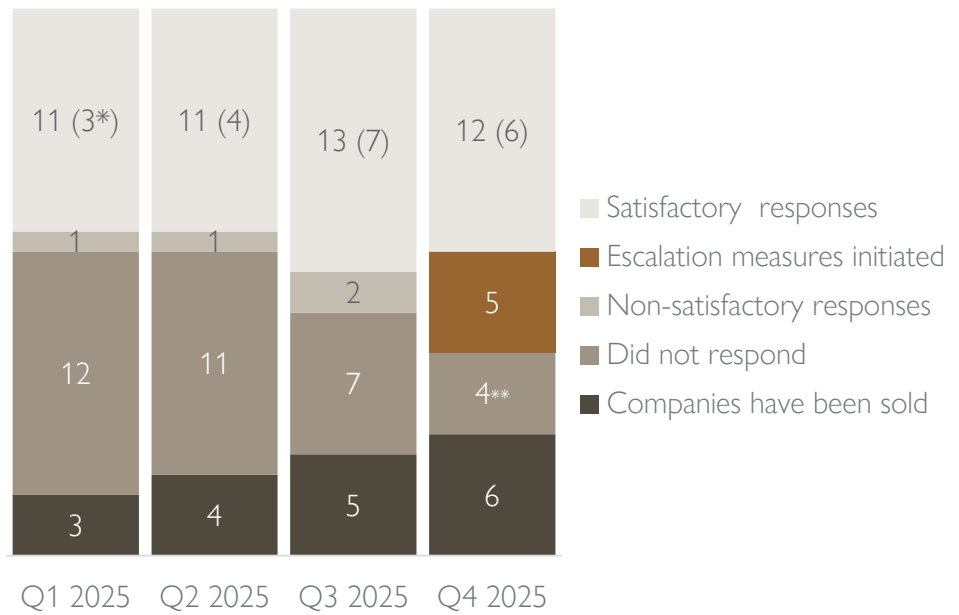
PRINCIPLE 3



PHASE 2—Engagement: The risk assessment informed the engagement phase, which included various rounds of written exchange with companies aimed at understanding risk awareness, management practices and approaches for addressing identified key risks. Our engagement focused on what we view as potentially financially material climate risks, i.e. the most pertinent issues. While we engaged all fund holdings, for some the engagement had a broader scope, these being e.g. companies with high emissions and lacking decarbonisation ambitions.

Through a quarterly engagement cycle, we assessed response quality, identified gaps in responses, and sought further information from companies where necessary.

Climate risk assessment and engagement on risk management gaps with 27 GBI holdings



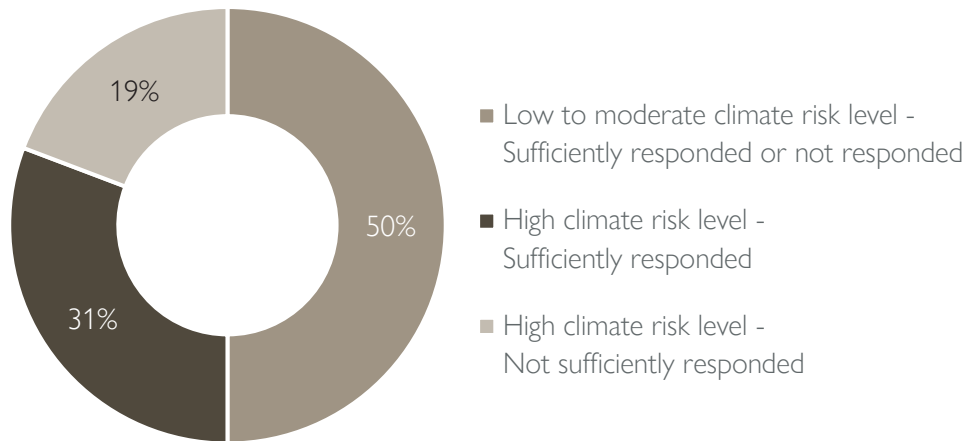
* Number of companies that responded not fully adequately but that are deemed sufficiently low risk to not further pursue for clarifications

** Companies considered sufficiently low risk to not further pursue for response

PRINCIPLE 3

What we noted following an approximately 9 month engagement with fund holdings, is that for roughly 20% of the funds holdings, elevated climate risks were noted, but insufficient engagement responses were provided. For the remaining 80% of holdings we noted either adequate response provision or deemed noted risks as sufficiently marginal.

Response trend - Q4 2025 - GBI climate engagement



PHASE 3
Escalation

PHASE 3—Escalation: For the ca.20% of holdings that did not provide adequate engagement response by Q3 2025, the fund’s investment team, together with our Sustainability & Stewardship team, assessed escalation options.

We regarded a response as insufficient if it did not fully address the concerns we raised, both in scope and in depth.

Escalation was deemed a pertinent action for five companies still held in the fund at that point, and as a first measure, it was decided to raise noted concerns directly with board members that have responsibility for climate oversight. Escalation was initiated in October 2025 and is still ongoing as of the publication of this report.

Escalation was deemed a pertinent action for four companies, and as a first measure, it was decided to raise noted concerns directly with board members that have responsibility for climate oversight. Escalation was initiated in October 2025 and is still ongoing as of the publication of this report.

PRINCIPLE 3

GBI CLIMATE ENGAGEMENT EXAMPLES

Adequate engagement response

We engaged with a global professional services company to understand its approach for physical climate risk mitigation across its broad global asset base, as well as its approach to SBTi net-zero targets. Key areas of concern included the company's exposure heatwaves, flooding, cyclones and extreme precipitation, and the lack of validated SBTi targets.

The company provided a satisfactory response, explaining that its most significant climate-related risks are water-related, encompassing both projected water scarcity and extreme weather events. These risks are addressed through the company's climate adaptation planning, with at-risk locations identified using the WRI Aqueduct water risk tool. For sites assessed as higher risk, the company develops Water Resiliency Action Plans (WRAPs); as disclosed in its FY24 360 Value Report. Over 90% of offices flagged with elevated water-related climate risks had WRAPs approved and in place by the end of the fiscal year. The company also confirmed that during fiscal 2024 it received SBTi approval for new net-zero greenhouse gas emissions targets aligned with the SBTi Corporate Net-Zero Standard. Following this confirmation, Bloomberg was contacted to ensure external data sources were updated accordingly.

INTERNAL ENGAGEMENT EXAMPLE 1

Adequate engagement response

We engaged with a global digital payments company regarding validation of its SBTi net-zero targets and the publication of a climate transition plan aligned with those targets.

The company did not initially respond, but upon continued outreach the company confirmed in Q3 2025 that its climate goals had been approved by the Science Based Targets initiative (SBTi). The targets, originally approved in 2022, cover 100% of the company's global operations and include all Scope 1 and 2 emissions as well as a share of Scope 3 emissions. They further include interim targets. The company's net-zero emissions target by 2040 was approved by the SBTi in 2024 but not yet publicly disclosed, aligned with the 1.5°C ambition level. The company also noted that it is in the process of finalising its Climate Transition Plan and intends to publish this on its website once formally approved.

INTERNAL ENGAGEMENT EXAMPLE 2

PRINCIPLE 3

Inadequate engagement response

We engaged with a global technology company to understand plans to establish SBTi-approved net-zero targets, as well as new or forthcoming initiatives, processes and policies aimed at reducing Scope 3 emissions and overall carbon intensity. The engagement also sought assurance on the credibility of the company's current climate ambitions, transition plans and climate risk management. Key areas of concern included the scale of company's emissions and carbon intensity, a lack of what we would view as credible transition planning, and its exposure to physical climate risks.

The initial response did not sufficiently engage with our concerns, primarily referring to public disclosures available on the company's website. While these did address aspects of our concerns, such as carbon intensity reduction and physical climate risk exposures, they did not explicitly cover our questions, especially relating to SBTi-approved targets and transition planning. As a result, we decided to escalate the engagement by issuing a follow-up letter to the board member with responsibility for climate oversight.

INTERNAL ENGAGEMENT EXAMPLE 3

PRINCIPLE 3

GBI OTHER ENGAGEMENT EXAMPLES

Engagement management quality and forward guidance

<p>Background</p>	<p>We built an initial position in a leading European luxury goods company in early 2025. Prior to making the investment we had engaged with the company to confirm the long-run growth strategy. The stock had traded for some time at a high valuation multiple, and we wanted to ensure that its competitive position and growth outlook was sufficient to justify the rating.</p>
<p>Engagement</p>	<p>In 2025 the company hosted a capital markets event at which they presented a far weaker medium-term outlook than the company had previously indicated. The profit assumptions in particular did not correlate with the collective understanding that we, and the majority of investors, had of the company. We subsequently engaged directly with the company to gain a better understanding of the new guidance and the rationale behind it. It was notably concerning to us that the engagement did not provide conviction that the company has a strong grasp of its future volumes and/or pricing. The communication of the Management team or its own understanding of its business fell below the high standards we require.</p>
<p>Outcome</p>	<p>After our subsequent engagement, and its failure to provide reassurance as to the management quality of the company, not its true profitability, we sold our position in the company.</p>

INTERNAL ENGAGEMENT EXAMPLE 4

Engagement on structural growth and strategic execution

<p>Background</p>	<p>We have had regular engagement with a US-based interconnect and sensors company.</p> <p>The company has been a key beneficiary from the AI-driven data centre growth through their connectors and cabling. The company also completed two strategic, larger-sized acquisitions that broaden their portfolio offering. The purpose of the engagement sessions was to build a closer understanding of the growth opportunities, their positioning, and the sustainability in the levels of growth they were experiencing.</p>
<p>Engagement</p>	<p>The company does an annual roadshow in London visiting current and prospective investors. The engagement is of high quality, with a select number of attendees resulting in an engaging and robust discussion focusing on strategic objectives. We gained comfort on the outlook and sustainability of structural growth in the IT datacom segment, as well as the recovery of short-cycle end markets that were beginning to turn and offer upside to growth expectations.</p> <p>The discussion also covered the uniqueness and benefits of the decentralised business model and how this enables the acquired companies to thrive and succeed. This was relevant considering the acquisitions closed during the year.</p>
<p>Outcome</p>	<p>Our engagement reinforced our high conviction view of the company's growth potential ahead, as well as the disciplined approach to capital allocation and long-standing track record of solid execution.</p>

INTERNAL ENGAGEMENT EXAMPLE 5

PRINCIPLE 3

INTERNAL EXPERTISE

Direct Fixed Income Team

Due to the nature of the credits selected, which is mostly high credit quality for large liquid issuers, and our trading volumes, which are small in comparison to the outstanding volumes of debt issued by these companies, there is limited scope for engagement.

However, in the highly unlikely event of a corporate failure, we would seek to exercise our rights to the fullest extent available to us.

SFIM UK is cognisant of limited engagement today within Fixed Income and it remains an area that we wish to develop further, as opportunities to do so evolve.

EXTERNAL EXPERTISE

Engagement

A majority of our capital is allocated to third-party fund managers. We are not able to dictate the engagement policies of our managers given we invest in pooled fund vehicles with many other investors.

However, engagement is still very much present as part of our investment process such as through:

- ▶ Engagement with senior management at fund houses, to ensure that the business is going in the right direction.
- ▶ Engagement with fund managers, to ensure that third-party managers perform adequately on our behalf.
- ▶ Engagement with subject matter experts at fund houses or fund teams for topical queries.

Escalation

Escalation forms part of the engagement process. Where we deem manager responses to our engagements to be insufficient, we try to encourage improvements through continued and where necessary intensified conversation. A formal escalation process forms part of our [Voting & Engagement policy](#).

Collaboration

As investors in pooled vehicles, collaborative engagement is undertaken by third-party managers on our behalf. We do not currently conduct collaborative engagements.



PRINCIPLE 3

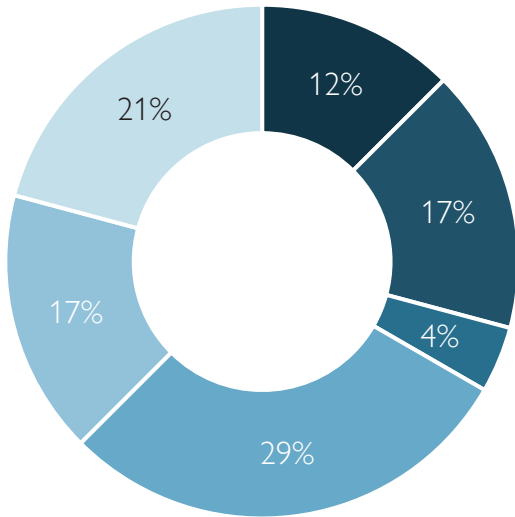
2025 ISR Engagement Statistics

Over the course of 2025, we conducted a total of 24 topical engagements with third-party managers. These focused on a range of issues we deemed financially material, including among others fund governance, fees and expenses, sustainability risk exposures and investment process. The aim of all engagements was to address issues or seek clarification where we identified potential risks or undue cost to our clients. Beyond these direct engagements, we hold regular meetings with managers we allocate to. These cover a broad range of topics, many of which we might have chosen to initiate an engagement on had we not the chance to discuss them directly in meetings.

Engagement Topic	Engagement Purpose
Controversial Exposures	We engaged managers where unexpectedly high exposures to controversial activities such as a coal, tobacco, controversial weapons or UNGC breaches were noted and tried to assess awareness and risk management.
ESG Practices	We engaged managers to better understand specific aspects of ESG integrity, especially how materially ESG is integrated into the investment process.
Fees and Expenses	We engaged managers where we deemed fee structures and expenses to not be in our client’s best interest.
Fund Governance	We engaged managers where we were of the view that best practice in fund governance was not followed.
Investment Process	We engaged managers where questions around stock selection, turnover or other investment-related queries arose.
Transparency	We engaged managers where we noted an undue lack of portfolio transparency.

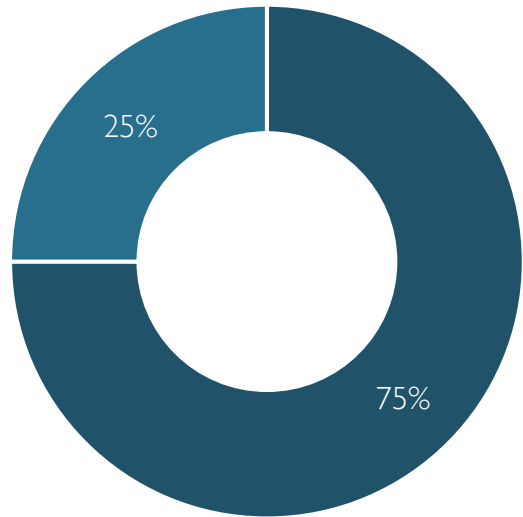
PRINCIPLE 3

Engagement Topics - 2025



- Fund governance
- Fees and expenses
- Transparency
- Controversial exposures
- ESG practices
- Investment process

Engagement Types - 2025



- Explore - Understand current standing, strategy and outlook
- Encourage - Drive conformity with universally agreed targets/standards

In terms of engagement aims, over two thirds of our 2025 third-party manager engagements focused on better understanding manager practices where potential issues were noted, while about a quarter of engagements focused on encouraging conformity with best practice.

PRINCIPLE 3

Engagement Examples

Below examples present how our in-house team of analysts and our Sustainability & Stewardship team engaged managers throughout the year.

Encourage a firm to review their holdback clause across funds

Background	One of our third-party managers has been slow to revise terms to reflect current market norms. Their 10% audit holdback was the norm for offshore funds 10-20 years ago and we approached them for revision.
Engagement	We discussed the issue with the manager, communicating our position. The manager confirmed that this has been a discussion point with other clients as well.
Outcome	The manager has confirmed that they will likely reduce the holdback in the future. We will continue to monitor and re-engage if necessary.

EXTERNAL ENGAGEMENT EXAMPLE 1

Discussed proposal to move to daily pricing and possible impact for investors

Background	We approached one of our managers who was thinking of moving to daily pricing. We highlighted risks that some clients could use the daily prices in their daily dealing funds.
Engagement	Given that the manager was not offering daily dealing, we alerted them of the risk that clients could be trading against not realisable NAV's. This could be problematic when there are peril events that might not be reflected in NAV. This could create risk for the manager.
Outcome	The manager confirmed not planning to proceed with daily NAV's following our conversations with them.

EXTERNAL ENGAGEMENT EXAMPLE 2

PRINCIPLE 3

ESG Risk Management

Background	We engaged with one of our third-party managers to understand how ESG-related risks are assessed and incorporated into their investment decisions.
Engagement	Our discussion focused on several holdings for which we sought greater clarity on how emerging sustainability issues and risks were monitored and escalated. The manager outlined their approach to identifying material sustainability factors, combining analyst research with stewardship oversight. They also described how engagement outcomes feed into portfolio reviews.
Outcome	We were comfortable that the manager applies a structured and consistent ESG risk management process.

EXTERNAL ENGAGEMENT EXAMPLE 3

PRINCIPLE 3

Controversial fund allocations

<p>Background</p>	<p>We engaged a manager used in our responsible proposition following their decision to initiate positions in two companies, covering AI infrastructure (Company A) and financial services (Company B), both of which had previously raised concerns within our sustainability assessment framework. Given the sensitivity of these names in sustainable products, we requested a discussion to understand the rationale behind their revised views and how these risks were being monitored.</p>
<p>Engagement</p>	<p>For Company A, the manager explained that while the company had historically scored well on customer and employee practices, as well as capital allocation and governance, it had fallen short on environmental disclosure and the societal implications of AI factors that previously led to its exclusion. The manager outlined that Company A has since made significant progress, including commitments to disclose full emissions data, work toward SBTi alignment, and introduce product-level AI safety guardrails. When assessed in aggregate, they deemed the company to have moved sufficiently to be considered for the portfolio. We appreciated the transparency on how their updated analysis led to the reassessment of Company A’s sustainability profile.</p> <p>For Company B, we questioned the company’s compatibility with the portfolio given its involvement in fossil fuel financing, an area of ongoing scrutiny for sustainable investors. The manager clarified that Company B is not a typical lending led bank, with the bulk of its profit contribution coming from wealth management rather than balance sheet lending. They acknowledged that the firm is not a leader in environmental product innovation within wealth management but also noted that the environmental exposure from lending activities is relatively limited. The manager also addressed prior conduct-related reservations, explaining that they had engaged directly with the company and gained comfort regarding risk controls, including the use of blockchain processes to strengthen oversight. While Company B has recently stepped back from explicit net-zero alignment commitments, the manager stated they are actively “kicking the tyres” on this and continue to evaluate the credibility of its transition strategy.</p>
<p>Outcome</p>	<p>While we recognise areas where both companies still face sustainability-related challenges, we found the manager’s analysis of recent improvements, ongoing engagements, and risk mitigation processes to be robust. We will continue to monitor these holdings closely and maintain dialogue where further escalation may be appropriate.</p>

EXTERNAL ENGAGEMENT EXAMPLE 4

PRINCIPLE 3

Engagements—Third Party Managers

The below engagement examples are from third-party managers we invest in across our traditional and responsible propositions. The managers we allocate to conducted thousands of engagements in 2025, individually and through collaborative initiatives. Below, we present a select few examples from across asset classes.

Third Party Manager Engagement Examples

AI governance and child safety risks (equity manager)

Background	The manager engaged with a technology conglomerate that develops social media apps. The company faces heightened scrutiny over the impact of its platforms on children, including concerns around child safety, mental health, and alleged monetisation of harmful content. Ongoing legal actions in several US states present potential risks to customer trust and long-term shareholder value.
Engagement	<p>The manager engaged with the company in 2025 ahead of its AGM to discuss AI governance, with a focus on child safety risks. The company outlined recent measures, including the introduction of “teen accounts” and enhanced parental controls. The company also publishes quarterly Community Standards Enforcement Reports, disclosing metrics on child-related content and detection rates.</p> <p>While these measures and disclosures enhance transparency, the manager noted that the firm provides limited insight into the real-world effectiveness of safeguards. The company was encouraged to supplement quantitative reporting with qualitative assessment of the effectiveness of its child safety measures.</p>
Outcome	The manager is awaiting the company’s response and will continue to engage and monitor progress. Ongoing focus will be placed on improving transparency and the effectiveness of child safety measures to help mitigate regulatory, legal, and reputational risks that could impact long-term shareholder value.

THIRD PARTY MANAGER ENGAGEMENT EXAMPLE 1

PRINCIPLE 3

Major Japanese rail operator—Decarbonisation targets (sustainable equity manager)

Background	The manager engaged with a major Japanese rail operator with interests in real estate and retail. The engagement focused on the credibility and implementation of its net-zero and emissions reduction targets.
Engagement	The engagement focused on the company’s climate strategy, including its net-zero target for FY2051 and interim CO ₂ reduction targets. The company outlined a three-pillar transition approach covering energy efficiency, renewable energy expansion, and a shift from LNG to hydrogen. The company acknowledged challenges related to hydrogen costs, reliance on government support, and constraints on renewable energy deployment in Japan. The manager raised concerns regarding progress against Science Based Targets and the relevance of the emissions baseline.
Outcome	Following engagement, the company introduced additional interim decarbonisation targets but withdrew its commitment to seek SBTi verification, due to alignment challenges. The manager will continue to engage, with a focus on clearer timelines for renewables, greater transparency on the hydrogen transition, and improved disclosure on progress toward net-zero.

THIRD PARTY MANAGER ENGAGEMENT EXAMPLE 2

Electricity company—renewable energy integration (alternatives manager)

Background	The manager engaged with a company that operates electricity and gas transmission and distribution networks across the UK and US.
Engagement	The manager held multiple meetings in 2025 to discuss transition and physical climate risks with the company. Discussions with the company covered climate strategy, emissions management, regulatory dependencies, and the balance between decarbonisation and energy affordability. A separate engagement with sustainability and engineering teams focused on the company’s GIS-based Climate Change Risk Tool, which assesses exposure to physical climate hazards across UK and US assets under multiple warming scenarios and informs resilience planning and regulatory reporting.
Outcome	The engagement provided clarity on how the company manages transition and physical climate risks while supporting renewable integration and system reliability. The manager reports that the company continues to reduce emissions where feasible and strengthens asset resilience through targeted infrastructure upgrades, by using its GIS tool. Ongoing improvements in transparency around emissions control and the integration of climate risk into long-term investment planning were also noted.

THIRD PARTY MANAGER ENGAGEMENT EXAMPLE 3

PRINCIPLE 3

Large US bank—Fossil fuel financing (fixed income manager)

Background	The manager engaged with a large US bank following a weakening of its fossil fuel financing policies, which appeared more material than recent changes by US peers and raised concerns about alignment with climate commitments.
Engagement	<p>The manager engaged with the company’s Investor Relations and ESG teams to understand the rationale for policy changes and future intentions. The company confirmed that while Net-zero Banking Alliance (NZBA) targets remain in place, explicit exclusions on financing new coal-fired power plants, thermal coal mines, and Arctic oil and gas projects were removed and replaced with a ‘heightened due diligence’ process conducted by senior-level employees.</p> <p>The company cited state-level anti-ESG legislation, particularly in Texas and Florida, as the primary driver, noting that strict exclusions could limit participation in municipal debt capital markets. The manager noted that engagement access was more limited than with US peers, which was viewed as a potential concern regarding openness to dialogue. The manager also assessed the regulatory landscape and peer responses, observing that several US banks have maintained stronger project-level exclusions while remaining compliant with state legislation.</p>
Outcome	The manager extended engagement to US peers to assess whether similar policy rollbacks were planned. The findings will inform future exposure to the company, with potential reallocation toward issuers maintaining stronger fossil fuel financing policies.

THIRD PARTY MANAGER ENGAGEMENT EXAMPLE 4

PRINCIPLE 3

Japanese company—ESG risk mitigation (private capital manager)

<p>Background</p>	<p>The manager engaged with a Japanese system-construction and prefabricated housing company. In 2022, the company undertook an assessment of ESG-related risks, identifying four material areas: sustainable operations, socially beneficial products, human capital, and governance and compliance. In 2025, the manager considered that these risk priorities warranted reassessment to ensure they remain appropriate and reflective of the company’s evolving ESG profile.</p>
<p>Engagement</p>	<p>The manager discussed with the company how ESG risks and opportunities are identified, governed, and integrated into its strategic decision-making. In 2025, the company began reassessing its ESG priorities, placing increased emphasis on subcontractor labour conditions and the integration of ESG considerations into its medium-term management plan. In parallel, the company established dedicated ESG governance structures to strengthen oversight and enhance the quality of its sustainability disclosures.</p>
<p>Outcome</p>	<p>The manager notes progress in the company’s ESG governance. Engagement will continue, with a focus on the delivery of governance improvements, supply chain labour standards, environmental performance, and the quality of sustainability disclosures.</p>

THIRD PARTY MANAGER ENGAGEMENT EXAMPLE 5



PRINCIPLE 4: EXERCISING RIGHTS AND RESPONSIBILITIES

Signatories actively exercise their rights and responsibilities

Voting is an important mechanism through which we exercise our rights and influence company behaviours. It helps ensure adequate accountability across the managers and companies we invest in, playing a part in the protection in our clients interests.

INTERNAL EXPERTISE

Our Global Equity Management Team actively exercise their right to vote in all Proxy Votes where they have the discretion to do so and where there is nothing to prohibit them from doing so. The team makes its own informed decisions on how to vote. We may use the information provided by proxy advisers, such as Glass Lewis, but will not necessarily follow their recommendations. We have also developed in-house voting policies at the product-level.

We vote in all our direct equity funds (GBI, AIM, Opportunities, Sentinel, International) as default and discuss voting preferences directly with our segregated clients. A segregated client may opt-out of voting where there is an associated cost on a client's custody platform.

We vote the same for all clients unless a conflict of interest exists, or if a client wishes to direct voting (which is not the case for any clients today).

PRINCIPLE 4

Direct Equity

Voting

On our direct equity funds, once we have initiated an investment in a company we actively vote at AGMs and EGMs in a way that best protects the long-term investment returns of our clients and is consistent with our values. Whilst we have not historically disclosed our voting intentions to Management or other shareholders in advance of a vote, even when dissenting, we will do so if deemed necessary.

Presentations at Capital Market Days are a useful way to gain insight to company strategy and operations and provides opportunities to engage with cross-company management not normally made available to investors. We join and participate in our companies' Capital Markets days.

We do not participate in stock lending.

Our Global Operations Team are responsible for ensuring that all potential votes are captured, so the team do not miss a potential voting opportunity, whether it be a fund vehicle or a segregated account.

The team pass on vote notifications directly to the Global Equity Management team who will then advise on the appropriate voting response. They maintain a shared database where voting data and recommendations are captured.

A description of how we vote is detailed in our Engagement and Voting Policy document. Since the end of 2020, details of the Proxy Voting activities for the team's flagship fund, GBI, have been produced annually and can be found on our website.

Global Best Ideas Equity Fund – Voting Insights

The voting statistics for GBI are shown on page 80-81. In 2025, 100% of resolutions for which we were eligible to vote were voted on.

PRINCIPLE 4

Voting Statistics for the Reporting Period

Number of meetings we were eligible to vote at	24 AGMs
Number of resolutions we were eligible to vote on	423
% of resolutions we voted on for which we were eligible	100%
Of the resolutions on which we voted, the % we voted with management	91%
Of the resolutions on which we voted, % we voted against management	9%
Of the resolutions on which we voted, % we abstained from voting	0%
% of meetings where we voted at least once against management	88%
% of resolutions where we voted against the recommendation of our proxy adviser	10%
% of votes in line with result	85%
% of votes on Governance (and % supported)	9% (62%)
% of votes on environmental and social issues (and % supported)	6% (12%)
% of votes being shareholder proposed (and % supported)	9% (23%)

PRINCIPLE 4

We also provide a brief outcome summary of most controversial votes in our formal voting disclosure document, as shown below, as well as one detailed example.

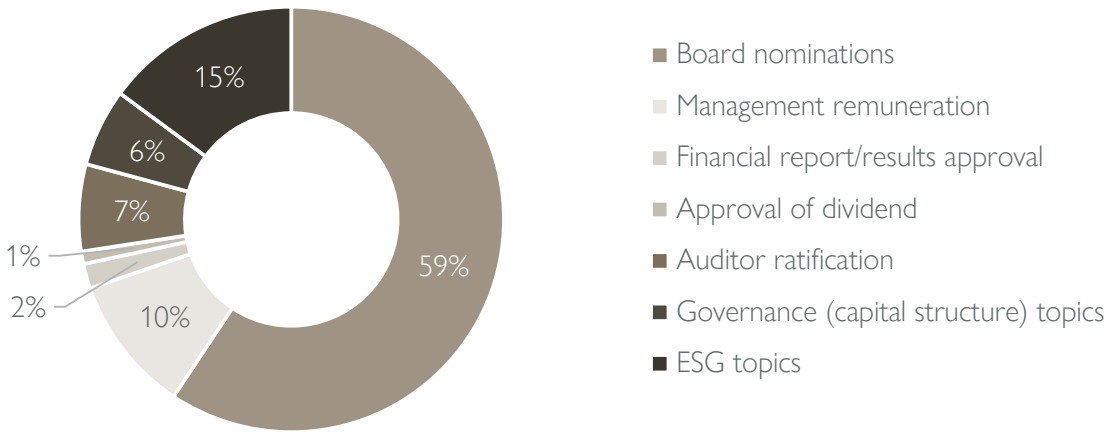
Most Significant Votes

	VOTE 1	VOTE 2	VOTE 3	VOTE 4	VOTE 5	VOTE 6
Company name	LVMH	McDonald's	Netflix	Keyence	Amazon	Mastercard
Date of vote	17 Apr 2025	22 May 2025	05 Jun 2025	13 Jun 2025	22 May 2025	12 Sep 2023
Size of holding on vote date (as % of portfolio)	3.2%	3.0%	5.9%	2.0%	6.6%	5.6%
Summary of the resolution	Approval of CEO compensation	Proposal for climate transition report	Election of Board Member, J. Hoag	Re-election of Board members	Proposal for separate Chair/CEO roles	Limitation of board officer liability
Management recommendation	For	Against	For	For	Against	For
Proxy vote adviser recommendation	Against	Against	For	Against	Against	Against
How we voted	Against	Against	Against	For	For	Against
Advanced communication to company of vote intent	No	No	No	No	No	No
Rationale for the voting decision	Failure to respond to shareholder concerns	In support of our climate TCFD engagement	Poor attendance	Insufficient Board independence	To support best-in-class corporate governance	To support best-in-class corporate governance
Outcome of the vote	For (84%)	Against (90%)	Against (79%)	For (94%)	Against (80%)	For (85%)
Implications of the outcome	Approved	Rejected	No report	Re-elected	No formal policy adoption	No new report
Criteria on which vote classified "most significant"	1, 3	1, 3, 4	5	4, 5	5	1, 5

PRINCIPLE 4

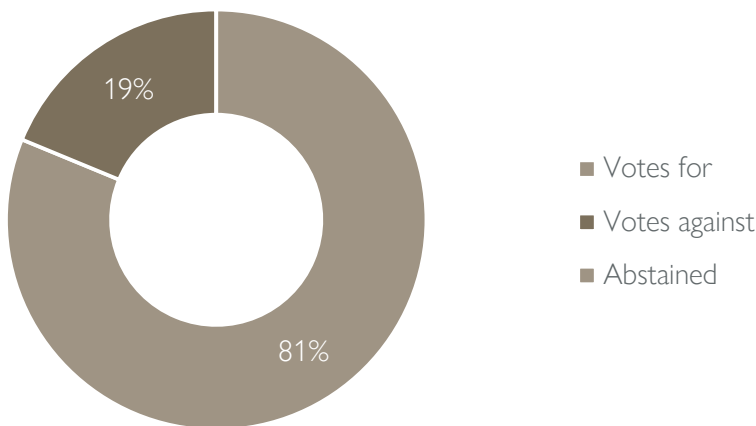
In 2025, ca 85% of votes were on various non-ESG topics, including most prominently board nominations and management remuneration. ESG-specific votes encompassed ca 15% of the over 400 votes cast by us, with environmental and social votes making up ca 40% of this figure.

GBI Votes in 2025 by topic



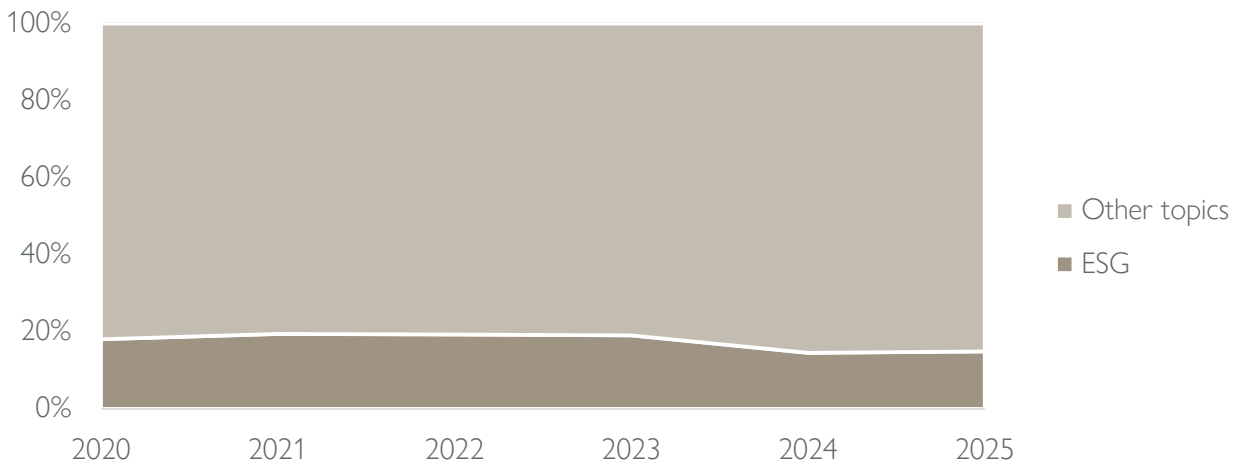
Since 2020 we have not see a material change in sustainability-related votes across the companies held within GBI, with such votes roughly comprising 15-20% of overall votes each year. Due to the persisting importance of the topic, we specified voting guidelines for sustainability-related votes, these can be accessed through the fund’s Voting & Engagement policy available on our homepage.

Sustainability as a voting topic



PRINCIPLE 4

GBI Votes in 2025 by decision



We have historically voted with management for a significant majority of its votes. While over the past years this has slightly changed, reflecting an increased degree of active scrutiny and enhanced due diligence, it is still the case that for 80% of votes we voted with management in 2025. This reflects our high conviction in the quality of the firms we invest in and in their management.

Fixed Income

Due to the nature of the asset class, we have no voting rights over the fixed income securities held. We currently do not seek amendments to terms and conditions of the fixed income instruments invested in given our focus on the secondary market for corporates.

PRINCIPLE 4

EXTERNAL EXPERTISE

In relation to our external managers, voting is used primarily as a mechanism to express our assessment following engagement. We are committed to engaging with managers where we identify material issues at the holding or fund management level. Voting against a manager is not undertaken as a default position and is only applied where concerns persist and escalation is considered necessary.

Third-Party Investment Managers

In order to form a view on these matters, SFIM UK will acquire relevant information, and often go back to the manager to query certain votes. If the team disagrees with manager practices, we will look to engage directly with the fund manager. If it is a material disagreement, then we may consider disinvesting.

In addition to the voting conducted by the fund managers on our behalf, we are able to exercise our voting responsibilities at AGMs and EGMs of the Funds held. We will look to vote on fund resolutions and consider whether fund changes, auditor/director appointments, and other matters are in the best interests of our clients.

In 2025, we recorded an abstention in relation to a vote managed by a global equity manager. In this instance, the manager requested voting instructions but was unable to provide sufficient supporting documentation within the required timeframe. As a result, there was inadequate information available to support an informed voting decision. The manager was challenged on the lack of timely and appropriate documentation, and, in the absence of the necessary materials, the decision was taken to abstain from the vote.



We are committed to engaging with managers where we identify material issues at the holding or fund management level.

PRINCIPLE 5: SELECTION AND OVERSIGHT OF MANAGERS

Signatories integrate stewardship considerations into their selection and oversight of external managers

We have already presented our overall approach to stewardship, including in our third-party manager selection process, for [Principles 1](#) and [3](#). Therefore this principle will focus on requirements and assessments of stewardship in our manager selection and oversight process.

CONSIDERATION

Core Traditional Offering

For our core non-sustainable proposition, we have not formulated minimum expectations for manager stewardship practices such as voting and engagement, sustainability integration, or for related governance.

While we do view active ownership as an important tool for protecting investor interests, we also recognise that strategy specificities and priorities will inform varying ambitions in this space.

As such, adequate risk awareness and management, for all types of financially material risks, including sustainability-related ones, is a key factor in our selection process. Through pre-investment due diligence, as well as regular post-investment reviews, it is our aim to have a robust understanding of how managers understand and manage risk exposures.

Beyond this, we assess manager voting and engagement practices, as well as related oversight. In addition, we conduct sustainability-focused due diligence reviews on a regular basis, to assess manager practices around key sustainability matters such as net-zero or DE&I. All these factors form a part of our investment decision-making process, and where sufficiently material gaps in processes or practices are noted, we might decide to engage or take other action.

PRINCIPLE 5

Responsible Offering

Meanwhile, for our responsible investment proposition, we have strong expectations for active ownership, including for voting and engagements on material sustainability topics, as well as in terms of minimum sustainability integration, performance and practices.

As a minimum expectation, products considered for this proposition have to present practices robustly in line with SFDR Article 8, or an equivalent degree of integration of sustainability into the investment process.

Beyond this, our sustainable proposition conducts expanded sustainability due diligence pre-investment, covering additional topics such as SDG alignment of a strategy and exposures that might generate negative impacts. Regular post-investment screenings further include additional factors such as fossil fuel exposures or military contracting. Finally, the proposition provides regular reporting on its SDG alignment. For this, it uses a specialist data provider that maps and aggregates positive and negative SDG contributions of all underlying holdings. The proposition has set itself the aim of having meaningful SDG alignment whilst also delivering robust absolute performance.

PRINCIPLE 5

OVERSIGHT

Traditional & Responsible Offering

For our pre-investment due diligence, including on sustainability and stewardship, our Fund & Securities Selection Committee (FSSC) provides review and sign-off. If material gaps in either area are noted, beyond basic expectations for a specific product's use case, this might impact the decision of FSSC to approve a product for use. In 2025 one fund that was suggested for sign-off received heightened scrutiny for its sustainability and stewardship practices. While the fund was ultimately deemed satisfactory for investment for our traditional non-sustainable proposition, this case proved a reminder of the robustness and added value of our pre-investment due diligence on sustainability and stewardship.

Post-investment, the firm's Stewardship & Investment Sustainability Committee provides oversight of sustainability and stewardship. The committee receives quarterly sustainability screenings from our Sustainability & Stewardship team for a range of key products, which assess exposure to a range of controversial activities relative to benchmark. The committee further receives quarterly ESG risk screenings from the team, which assess risk levels relative to broader markets across a range of sustainability issues. Where materially above benchmark or broader market exposures to controversial activities or specific risk factors are noted, the committee might request initiation of an engagement with a third-party manager, or request an investment analyst to provide comment. In 2025 six engagements with managers were initiated based on heightened exposures to controversial activities. These focused on better understanding their approach to risk management.

Broader manager oversight is provided through regular manager review and strategy meetings, as well as by our investment committee. These meetings provide an opportunity for the team to assess and re-evaluate manager practices, and their position within our portfolios.

Beyond structured oversight, we conduct due diligence reviews post-investment on a semi-regular basis. Over the past three years, we conducted three such due diligence exercises, starting with a TCFD-focused climate due diligence questionnaire for all our core managers in early 2024, followed by a limited scope ESG integration questionnaire for core managers in late 2024, and a combined climate and ESG due diligence questionnaire in late 2025. The outcome of our latest questionnaire is presented over the coming pages. Where we identify material divergence from what we see as baseline standards, we might engage with managers following internal discussion. For our 2024 TCFD-focused climate engagement we had a number of follow-up conversations with managers to better understand certain gaps in their practices and ambitions to close them. A similar exercise will be conducted in 2026 following our latest due diligence exercise.

PRINCIPLE 5

CLIMATE AND SUSTAINABILITY DUE DILIGENCE REVIEW

As good stewards of our client’s capital, we cannot rely on best case scenarios for climate and sustainability risks to materialise. Given roughly two thirds of SFIM UK’s assets are managed through third-party managers that we allocate to, we have limited direct control over the risks exposures and sustainability practices within a significant element of our AUM. As such, we use due diligence questionnaires and reviews of manager practices to assess the need for engagements or other action.

Climate Risk Governance

A good understanding of the climate risk management processes employed by our managers is an important part of our risk management and due diligence process. We therefore engaged third-party managers we have material allocations to between January and May 2024 and again between November 2025 and February 2026, to provide information on their approach to climate risk management and sustainability more broadly. Our aim for both engagements was to understand managers’ approaches to climate risk management and how it evolved across our third-party allocations over time, as well as how they approach sustainability integration across their products and at firm-level. While there is a material overlap between managers we engaged in 2024 and 2026, due to changes in allocations, roughly a third of managers has changed. We focus on managers with material allocations used in our core or sustainable propositions.

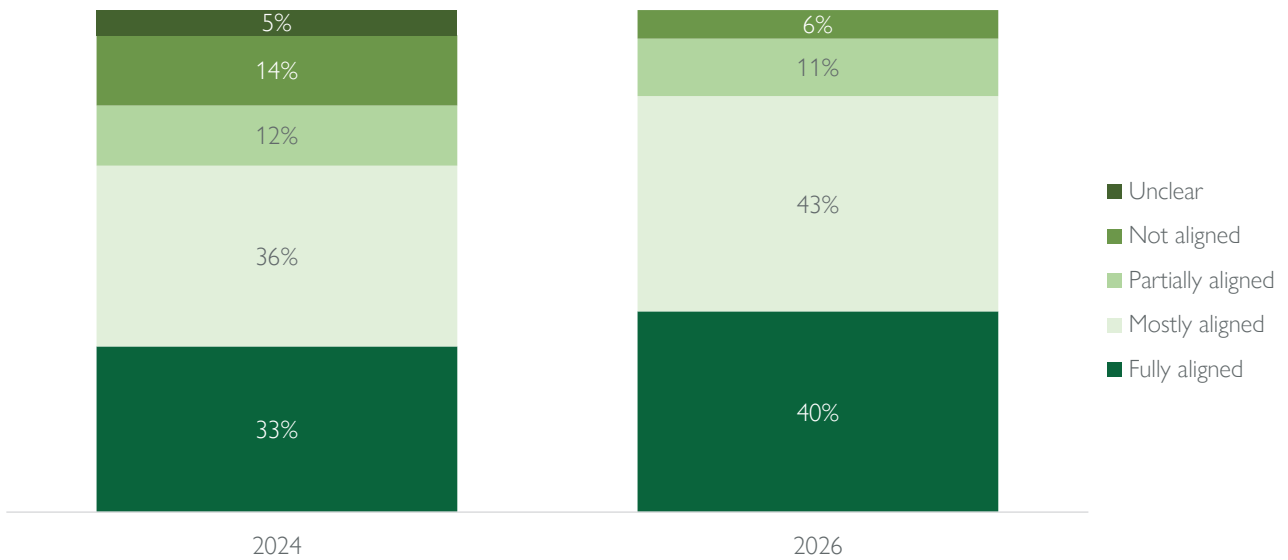
Climate & TCFD Engagement—Third-party Managers



PRINCIPLE 5

The noted trend is encouraging overall:

Reduction in uncertainty: Managers the firm has large allocations to show a reduction in planning to introduce new TCFD-aligned climate-related risk governance and oversight, moving to practical implementation. Across the four TCFD disclosure categories, we had noted that in 2024 between roughly 5-25% of managers were still planning to introduce new processes. In 2026 this percentage has materially reduced to between 0-5%.

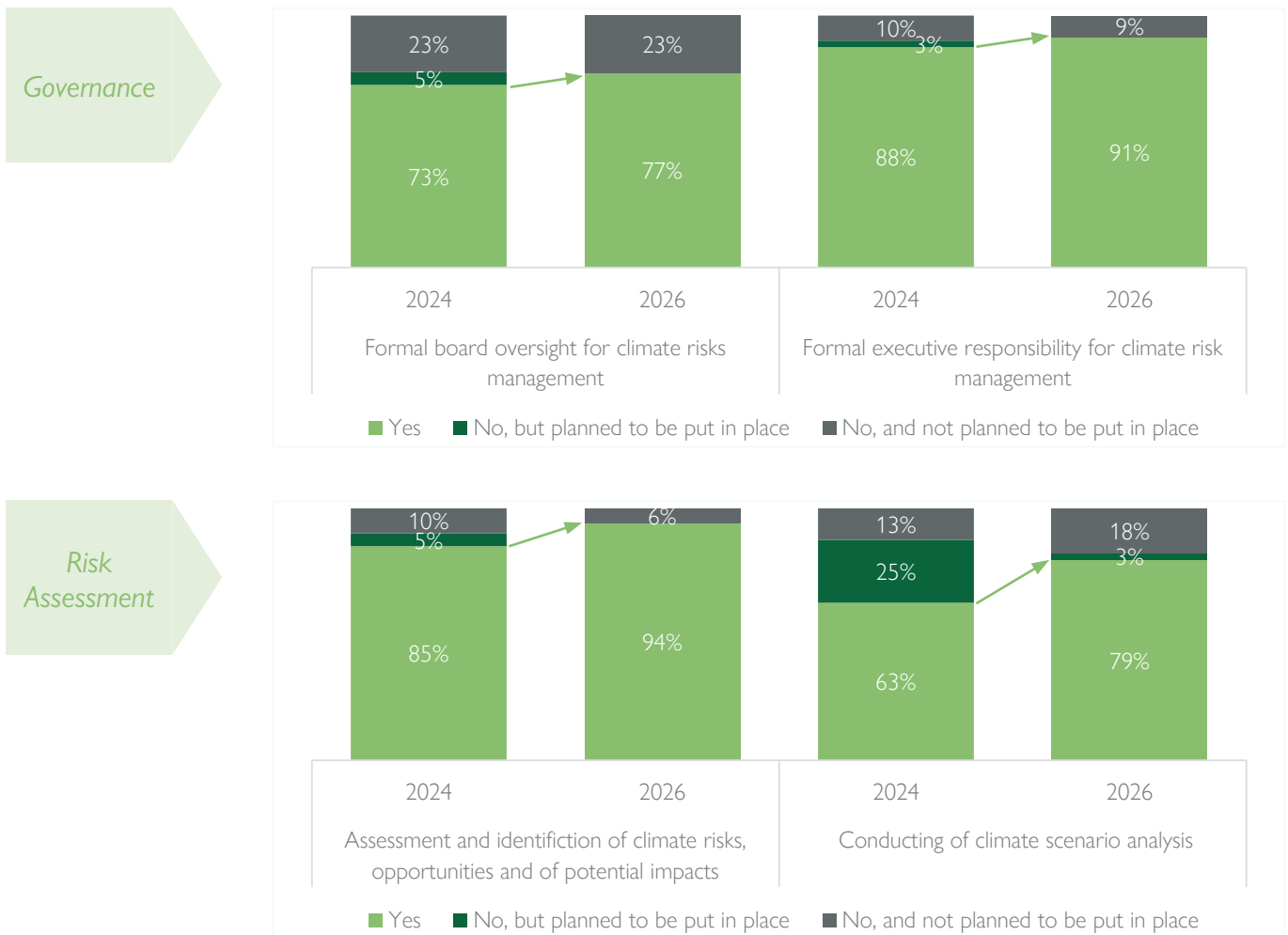


PRINCIPLE 5

Positive overall trajectory: Managers show an overall increasing alignment with TCFD disclosure principles. For all principles except climate target setting and use of KPIs, managers’ report increased integration of TCFD requirements into their processes and governance.

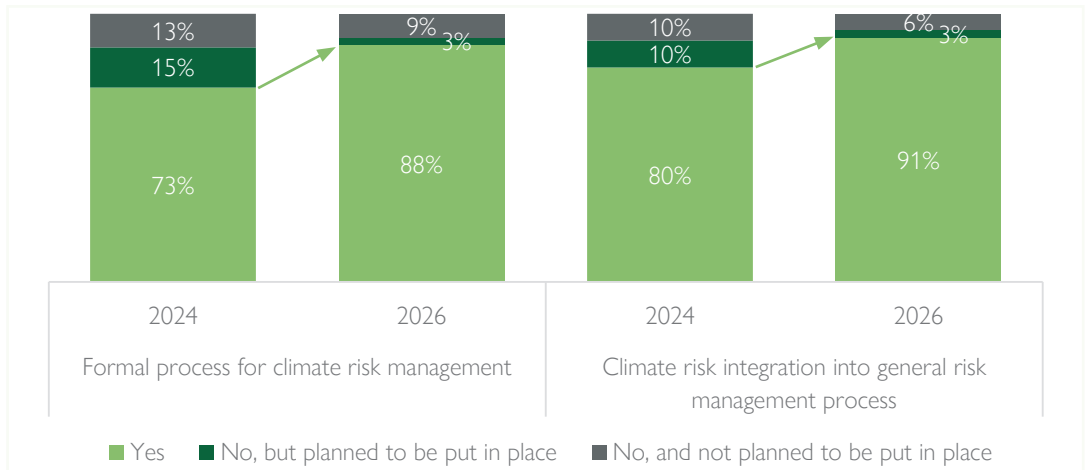
Third-party managers the firm allocates to display a stable level or improving level of climate ambitions, and managers with the starkest gaps show improving practices. As such, the percentage of managers with full or mostly TCFD-aligned climate risk practices has increased from 69% to 83%, while the percentage of managers with unclear, partial or no material TCFD alignment has reduced from 33% to 17%, including a reduction of managers with no alignment from 14% to 6%.

The most material improvement has been made on climate scenario analysis, formal integration of climate into risk management processes, and the use of metrics to track climate risk exposures.

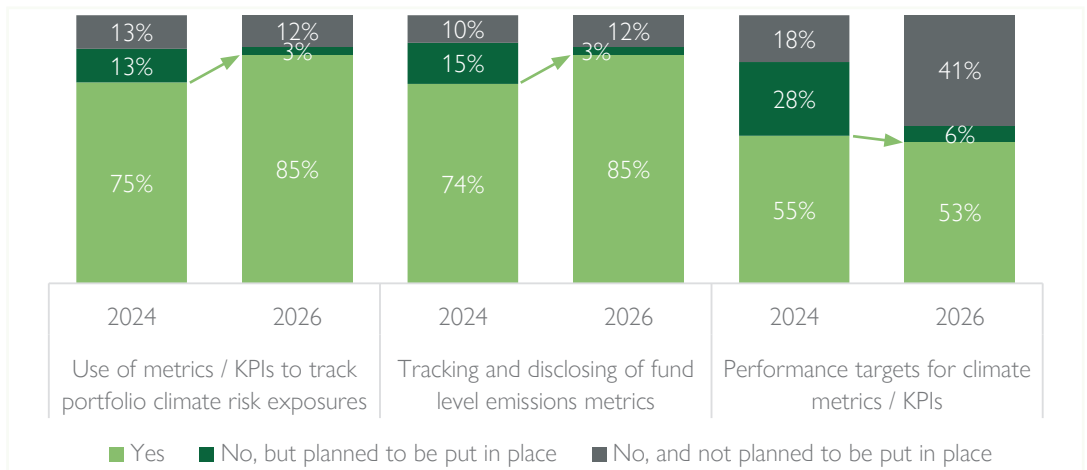


PRINCIPLE 5

Risk Management



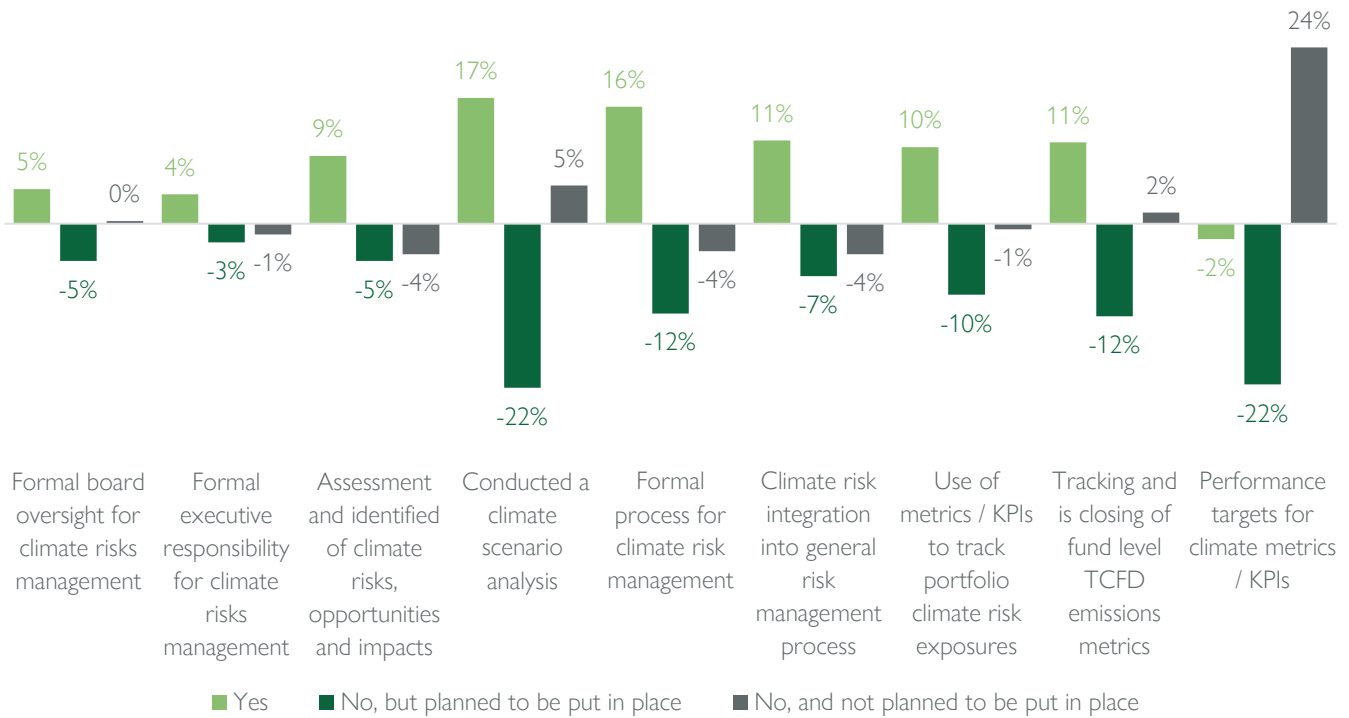
Metrics and Targets



PRINCIPLE 5

The main note of caution is a material increase in managers that do not currently have or plan to set performance targets on climate. The feasibility of setting meaningful climate related targets being a big debate within the industry, this trend is not entirely unsurprising

2024-2026 Change in Third-Party Manager Climate Governance & Planning



Beyond an assessment of manager TCFD-aligned climate risk management, we also asked about a range of other stewardship-related sustainability and DEI practices and ambitions in our 2025/26 DDQ. These, where material gaps between manager practices and our firm-level expectations for good practice are noted, might inform engagements or allocation decision.

PRINCIPLE 5

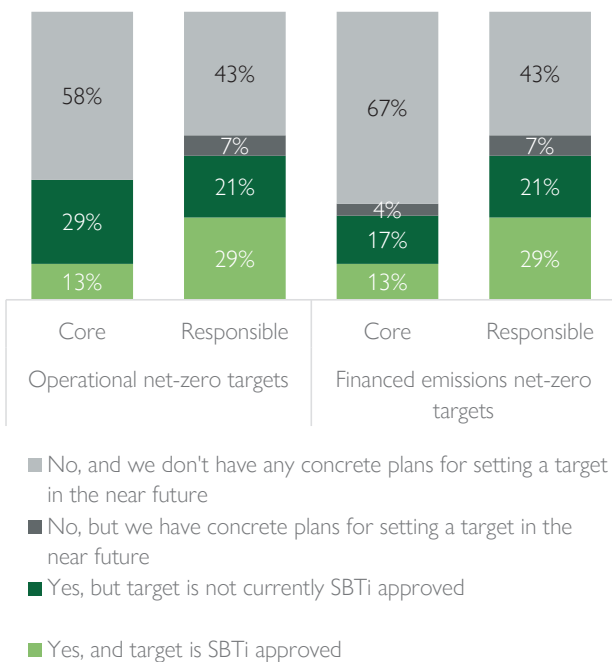
Net-Zero Targets

Beyond climate change governance, we also assessed manager net-zero ambitions. Net-zero commitments form an important part of the financial services industry’s contribution to managing and mitigating climate change.

Through net-zero commitments, firms and funds communicate an ambition to work with their investments on moving the global economy to a sustainable climate state. While material gaps persist at firm-level and especially so in regards to product-level net-zero targets, noted practices give us confidence in the managers we allocate to engaging with their responsibility of contributing to improving global emissions levels.

Firm-level net-zero targets

Fund-level sustainability themed engagement practices



Looking at firm-level, roughly 52% of managers we allocate to in our core models report having operational net-zero targets, while 39% report having net-zero targets for financed emissions. Looking purely at managers we use for our sustainable proposition, these numbers are slightly higher sitting at 54% respectively for both.

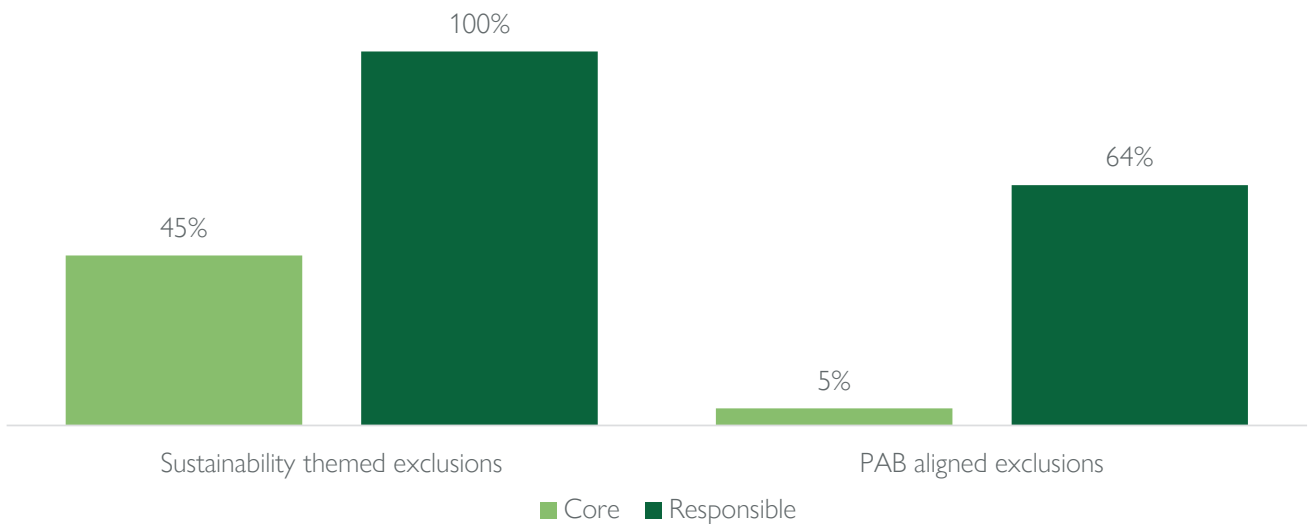
At a strategy level, we meanwhile see a more significant difference with about 10% of funds used in core models having a net-zero target, 5% Paris-aligned targets, while for our sustainable proposition this number sits at 58% and 42%, respectively.

PRINCIPLE 5

Exclusions

Exclusions can form an important part of risk management processes, ensuring that activities that might pose undue financial risks, such as exposures to stranded assets, litigation or reputational harm, are limited.

Fund-level sustainability exclusions



For managers we use across our traditional proposition, we note that roughly half apply ESG exclusions, with 5% applying Paris-Aligned Benchmark (PAB) exclusions. For our responsible proposition, we note that 100% apply sustainability exclusions, with roughly 60% applying PAB ones.

Recognising that the aim and scope of exclusions might vary between different investment strategies, we believe that these figures present robust engagement with ESG risks by our managers. In areas we think exclusions might be beneficial to our clients we might engage managers to better understand their approach and ambitions.

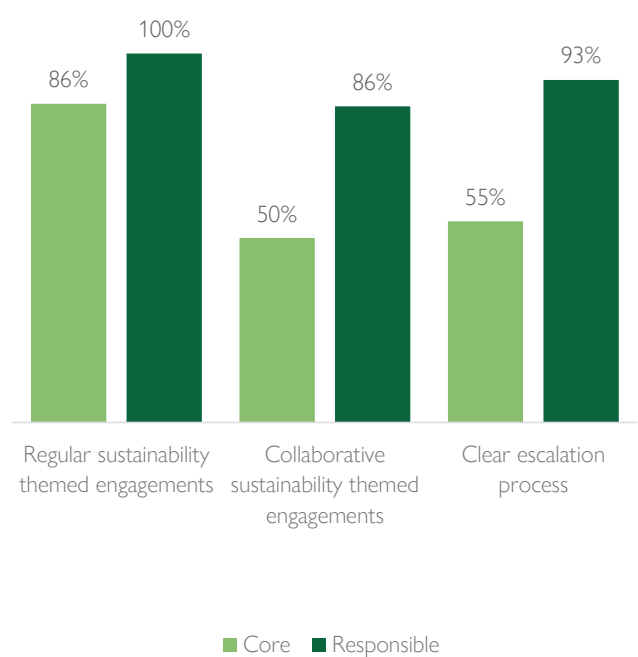
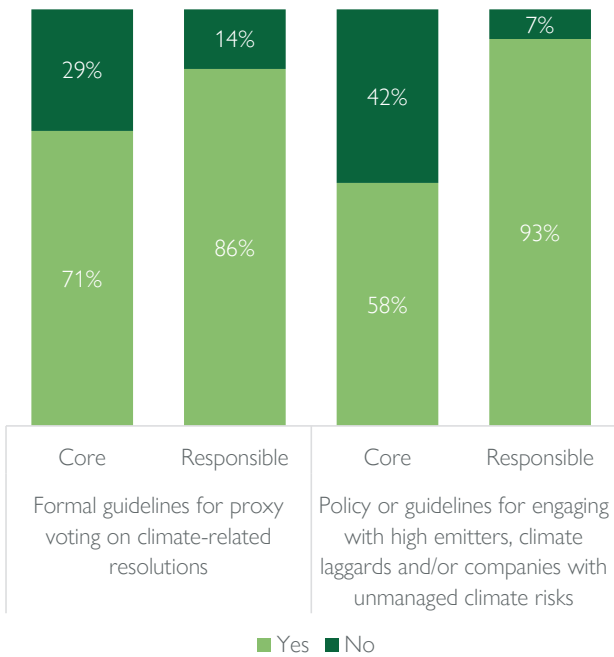
PRINCIPLE 5

Voting & Engagement

A critical part of responsible stewardship and ownership of assets is voting and engagement. Both are tools for investors to use their influence to protect and enhance long-term value for clients and beneficiaries, but also for the broader economic, social and environmental systems on which investments depend.

Firm-level voting & engagement principles

Fund-level ESG engagement principles



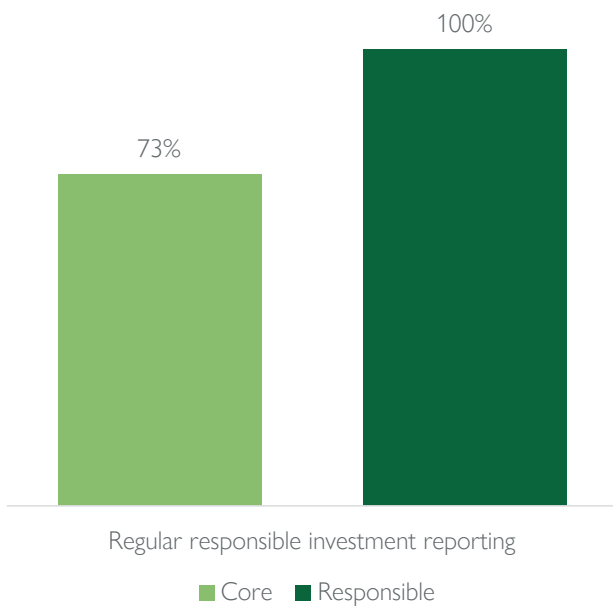
As such, we are pleased to see that a majority of managers we allocate to have voting and engagement guidelines for climate at firm-level, while at fund level we likewise see a high level of activity reported on ESG-focused individual and collaborative engagements, as well as an existence of clear escalation processes where engagements do not generate desired outcomes.

PRINCIPLE 5

Reporting

Regarding regular reporting, a high degree of transparency across managers used for both out core and responsible proposition gives us confidence in our ability to provide adequate oversight. Regular disclosures ensure adequate accountability on responsible investment practices.

Fund level responsible investment reporting

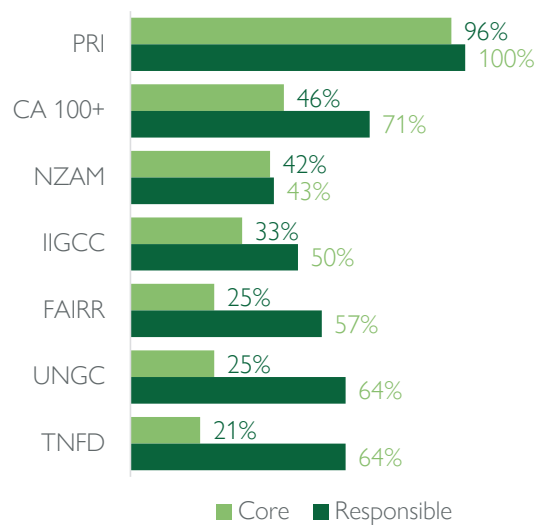


Signatory Status

Through public commitments and signatory status with initiatives that work towards enhancing sustainability practices and disclosures, firms communicate an ambition both in terms of their own practices, but also for their investments.

We are pleased to see that almost all of our managers are signatories to the Principles for Responsible Investment (PRI), while a material share of traditional managers further supports a broad range of sustainability initiatives such as CA100+, IIGCC or FAIRR. For managers used in our responsible proposition, we are further encouraged to see a considerably higher rate of support for all tracked initiatives.

Share of third-party managers that are signatory or supporter of international Responsible Investment initiatives*



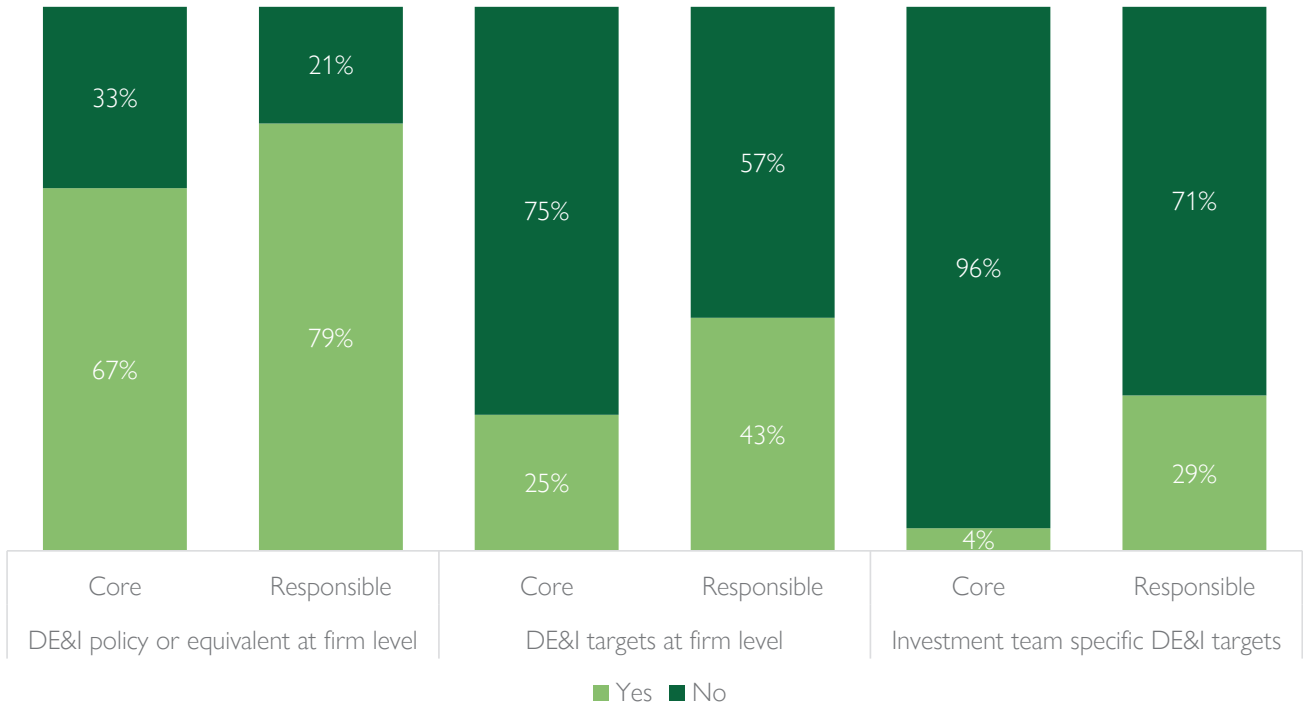
* Managers used by Stonehage Fleming in core and responsible propositions

PRINCIPLE 5

DE&I

We embrace the PRI’s view that a diverse and inclusive firm and team culture can enhance decision-making, recruitment, reputation, and productivity. From a stewardship perspective, robust DE&I practices and performance at managers we allocate to are therefore both important signals for us.

DE&I Ambitions



PRINCIPLE 5

Percentage of investment staff	Core		Responsible	
	Male	White	Male	White
0-15	0%	0%	0%	0%
15-35	8%	17%	13%	0%
35-65	0%	25%	25%	14%
65-85	77%	25%	50%	71%
85-100	15%	33%	13%	14%
Total	100%	100%	100%	100%

■ Optimal range ■ Mid-range ■ Low range

Percentage	Core		Responsible	
	Male	White	Male	White
Data Provided	72%	67%	73%	64%
No Response	28%	33%	27%	36%

We note that while DE&I policies are common amongst managers we allocate to, targets at firm-level or specifically for the investment team are less common. Managers we allocate to in our responsible proposition disclose having targets both at firm and investment team level more frequently than managers we use for our traditional offering. In terms of DE&I performance, we note that roughly a third of managers did not provide data on gender and ethnicity of their investment teams. Where provided, the data shows that between 58 and 92% of managers that responded have a material overexposure to male and white investment staff.

For us, this highlights DE&I remaining an important topic for the industry, one with material room for positive change amongst the managers we allocate to.

PRINCIPLE 6: MONITORING SERVICE PROVIDERS

Signatories monitor and hold to account service providers

SFIM UK has an established network of external service providers that complements the work that we do in-house. In each case, there is a robust governance structure built around the due diligence and monitoring of the service provider, which is dependent on the services provided. For instance, monitoring of brokers and custodians is overseen by the Risk and Controls Committee, whilst the monitoring of our third-party fund managers is overseen by a combination of the Investment Committee and the Fund and Securities Selection Committee.

Our primary service providers that support stewardship for direct investments and fund selection are our research and data providers. Monitoring and selection of these providers is regularised, but in practice it is a continuous exercise, and we may look to make changes during the period. In addition to monitoring the quality of the data or research and the timeliness of it, we will also meet with the service providers to understand the latest developments, give feedback, and talk through any areas for improvement.

ESG data provider

During 2024, we continued a 2023 engagement with an ESG data provider that provides data on portfolio alignment to the UN Sustainable Development Goals and a number of impact metrics. As part of this engagement, we conducted a granular due diligence review of their methodology and data.

Areas were identified where the quality of the data being provided could be improved and we engaged with the data provider to suggest amendments. Furthermore, there is a continued drive to better understand underlying ESG data models within systems that can be somewhat “black box” and encouraged the provider to be as transparent as possible.

EXAMPLE

GLOSSARY

BREEAM	Building Research Establishment Environmental Assessment Method
DE&I	Diversity, Equality & Inclusion
ESG	Environmental, Social and Governance
FCA	Financial Conduct Authority
GBI	Stonehage Fleming Global Best Ideas Equity Fund
GEM	Global Equity Management
GinExCo	Group Investment Management Executive Committee
GSEF	Global Select Equity Fund
GSIP	Global Sustainable Investment Portfolios
ISR	Investment Strategy and Research
RBG	Responsible Business Group
SEC	Securities and Exchange Commission
SFIM	Stonehage Fleming Investment Management
SISC	Stewardship and Investment Sustainability Committee
TCFD	Taskforce for Climate-related Financial Disclosures
TNFD	Taskforce for Nature Related Financial Disclosures
UN PRI	United Nations Principles for Responsible Investment
UN SDGs	United Nations Sustainable Development Goals

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