RATHBONES GROUP PLC

RESPONSIBLE INVESTMENT REPORT FOR 2022 ACTIVITY

LONG-TERM STEWARDSHIP

WELCOME

TO OUR RESPONSIBLE INVESTMENT REPORT

As a UK wealth manager, we know it's important to adopt an active and thoughtful approach to responsible investment.

This means:

- **incorporating relevant environmental, social and governance (ESG) issues into our investment decisions**
- **encouraging companies to reduce their ESG risks, through engagement**
- **backing up this engagement by using our voting rights as shareholders.**

By doing this, we seek to protect the value of our clients' investments over the long term.

HOW TO USE THIS REPORT

You're welcome to read this report from start to finish. Alternatively, we invite you to use it to look at particular aspects of our responsible investment, such as our voting (from p.11), or examples of where we've tried to make a difference as investors because of our concern about a particular issue, such as carbon emissions (p.16) or harassment and discrimination (p.19).

Finally, if you don't understand any words or phrases, try the Glossary on p.39.

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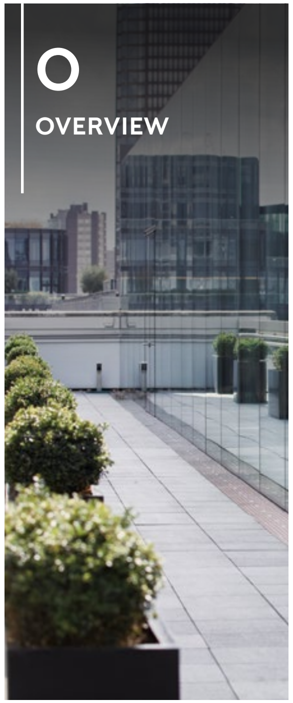
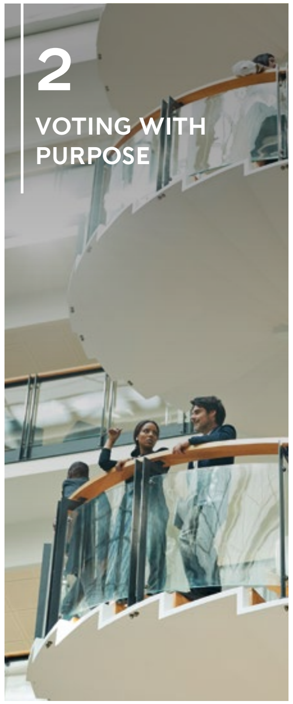
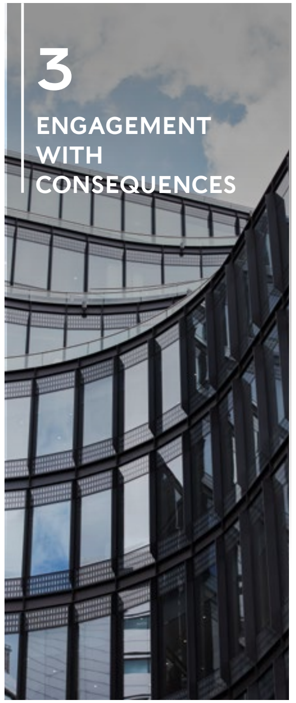
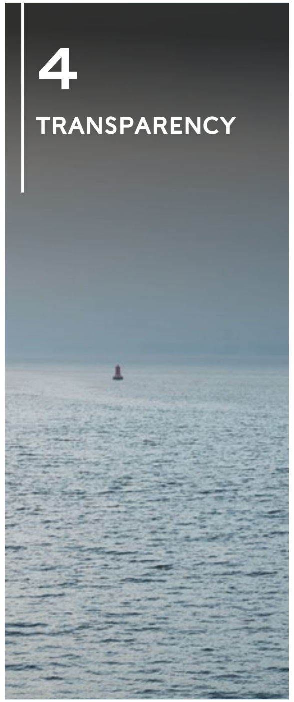
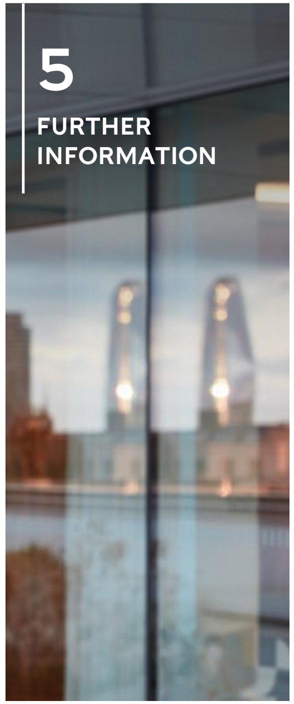










Find out where to read all of our case studies across the report on page 2

HIGHLIGHTS OF THE YEAR

RESOLUTIONS VOTED ON - RATHBONES INVESTMENT MANAGEMENT

11,029

RESOLUTIONS VOTED ON - RATHBONE UNIT TRUST MANAGEMENT

6,232

VOTES AGAINST MANAGEMENT - RATHBONES INVESTMENT MANAGEMENT

791

NUMBER OF ENGAGEMENTS

671

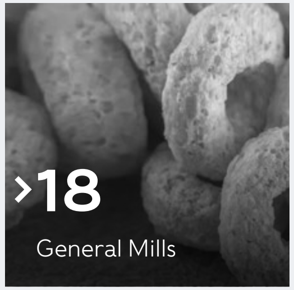
with companies and governments

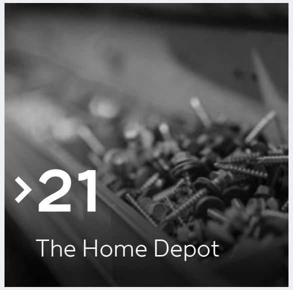
VOTES AGAINST SLAVERY

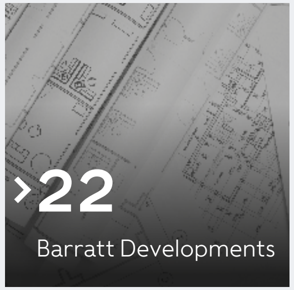
£9.6 TRILLION[1]

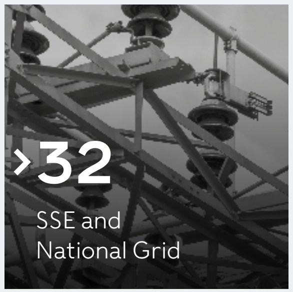
1. AUM of the 122 supporting investors involved in the Rathbones-led collaborative engagement

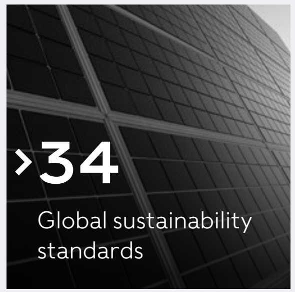
THE IMPACT WE'VE MADE











CLIMATE, SLAVERY AND DIVERSITY: A YEAR IN RESPONSIBLE INVESTMENT

Paul Stockton
Group chief executive officer

"OUR RESPONSIBLE INVESTMENT COMMITTEE HAS APPROVED SEVERAL NEW ENGAGEMENT THEMES TO FOCUS ON, INCLUDING HAZARDOUS CHEMICALS AND HUMAN RIGHTS."

FOREWORD FROM OUR GROUP CHIEF EXECUTIVE OFFICER

World events have always presented challenges for investing. In 2022, macro-economic factors such as growth, interest rates and the price of energy may have led some investors to pay more attention to short-term performance drivers without weighing longer-term environmental, social and governance (ESG) considerations.

Such swings in sentiment to the shorter term are inevitable. However, ESG issues remain critical inputs to our investment approach, taking into account both shorter and longer time horizons.

Like other financial institutions, Rathbones has a responsibility to understand how climate change and other factors can impact portfolios and the investments we make on behalf of clients. Our aim is to deliver on clients' investment objectives, recognising how long-term returns are dependent upon the continuing good health of the overall economy. In this report we discuss how we've incorporated considerations related to climate change into our engagement and voting.

We've taken note of social issues too, such as modern slavery, and governance concerns, such as executive pay.

There are many more examples, which demonstrate the importance of responsible investment in identifying risks and opportunities. This means incorporating ESG considerations into our investing decisions, and into our behaviour as owners of assets. If, along with other investors, we encourage companies to build their capabilities to limit negative impacts and solve environmental and social problems, we can play our part in contributing to a better world.

In this report, we focus on our engagement and voting as part of our overall approach to responsible investment. We also give examples of what we did in 2022.

For instance, we discuss our engagement on climate change with SSE and National Grid. We look at how we used our voting rights to encourage Barratt, the housebuilder, to improve its boardroom diversity and lessen the danger of groupthink. We also used the annual general meeting of US food company General Mills to press it on plastic packaging.

The world doesn't stand still, so we can't either. We've practised responsible investment for many years, but our approach keeps evolving.

For example, as part of our engagement work we reached a milestone in 2020 when we led an investor collaboration to target UK companies that had contravened the UK Modern Slavery Act. This initiative, now called Votes Against Slavery, last year harnessed the collective clout of 122 investors with £9.6 trillion in assets under management. In December, I was delighted to hear that Votes Against Slavery had won 'Stewardship Initiative of the Year' in the annual awards of the UN-backed Principles for Responsible Investment.

We plan to develop our responsible investment approach yet further in 2023. Our responsible investment committee has approved several new engagement themes to focus on, including hazardous chemicals and human rights. We will add these to long-standing themes.

We do hope you enjoy reading about our activities.

Paul Stockton
Group chief executive officer

RATHBONES: AN OVERVIEW

RATHBONES AS A RESPONSIBLE INVESTOR

As a wealth manager, we're responsible for investing on our clients' behalf to help them achieve their long-term goals. We also recognise that the environment, society and financial stability are connected. With these points in mind, we believe it's in the best interests of our clients that the companies and securities we invest in adopt best practice in managing those ESG risks that present a risk to the long-term interests of shareholders. We also believe it's in our clients' interests that companies consider ESG opportunities.

Our responsible investment policy has been developed to guide our investment process and stewardship approach, as outlined by our four responsible investment principles:

- ESG integration
- Voting with purpose
- Engagement with consequences
- Transparency

RATHBONES AS A RESPONSIBLE BUSINESS

We've put in place a responsible business framework. It's our blueprint for creating long-term, sustainable value for our range of stakeholders, including clients, shareholders, employees, the communities in which we and the companies we invest in work, and society as a whole. Within this framework, the responsible business committee, chaired by the group chief executive, oversees Rathbones' policy on responsible investment, climate change and other direct risks to our operations.

RATHBONES AND THE STEWARDSHIP CODE

Stewardship is defined by the Financial Reporting Council (FRC), an independent regulator in the UK and Ireland, as:

"The responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society."

This concept overlaps a great deal with the idea of responsible investment.

Rathbones is a signatory of The UK Stewardship Code 2020, a set of principles for institutional investors developed by the FRC. In the FRC's words, the Code "sets high stewardship standards for those investing money on behalf of UK savers and pensioners, and those that support them."

When we achieved our signatory status in March 2022, the FRC commended us for our governance arrangements and resourcing of stewardship activities. Compliance with the Code is not intended to be static, however. In this spirit, we're always seeking to improve our stewardship. When our status was officially renewed in February 2023, the FRC noted our efforts to improve in line with their feedback.

BUSINESS SEGMENTS

RATHBONES INVESTMENT MANAGEMENT

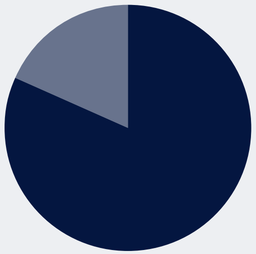
Rathbones Investment Management (RIM) carries out individual investment and wealth management for private clients, charities, trustees and professional partners. It had £49.2 billion in assets under management at the end of 2022. £6.3 billion of this was in charity and non-profit funds, making RIM the UK's fourth largest investment manager in that sector.

RIM's investment managers seek to understand each client's situation and objectives. Once this has been achieved, they'll propose an investment strategy aligned with the client's needs. When constructing client portfolios, our investment managers draw on recommendations from our investment committees. These committees pool the insights and expertise of our financial analysts and investment managers. They combine this with guidance from our stewardship and engagement specialists and our ESG integration and data analysts.

In January 2022 we introduced a new client-facing process in which investment managers within the RIM business were trained and began to have structured conversations with clients covering responsible investment, actively seeking their views and discussing their needs within the context of their broader financial goals.

RATHBONES GROUP PROVIDES INDIVIDUAL INVESTMENT AND WEALTH MANAGEMENT SERVICES FOR PRIVATE CLIENTS, CHARITIES, TRUSTEES AND PROFESSIONAL PARTNERS

£60.2B



Rathbones Investment Management	**£49.2b**
Rathbone Unit Trust Management	**£11.0b**

As at 31 December 2022

RATHBONE GREENBANK INVESTMENTS

Sitting within RIM, Rathbone Greenbank Investments (Greenbank) has specialised in responsible investing since it began in 2004. This makes it a pioneer. Greenbank creates bespoke ethical, sustainable and impact investment portfolios for private clients, trustees and professional intermediaries.

Where clients have enhanced responsible investment preferences or ESG requirements, Greenbank has specialist expertise to service those needs.

Greenbank had £2.0 billion in assets under management at the end of 2022.

RATHBONE UNIT TRUST MANAGEMENT

Rathbone Unit Trust Management (RUTM) is a UK active fund manager with £11 billion under management as of the end of 2022, running specialist and multi-asset funds designed for retail clients. These funds are distributed primarily through financial advisers in the UK.

RUTM's Ethical Bond Fund managed £2.2 billion on 31 December 2022, plus £0.2 billion in an offshore vehicle. The Rathbone Greenbank Global Sustainability Fund managed £69 million. In March 2021, we launched the Rathbone Greenbank Multi-Asset Portfolios (RGMAPs) fund range. These funds are run by Rathbones' multi-asset team and supported by Greenbank. Assets were at £168 million at the end of 2022.

QUICK Q&A: INSIGHTS ON STEWARDSHIP

Matt Crossman
Stewardship director

Why is stewardship increasingly prominent?

We're definitely seeing a greater awareness of environmental and social issues, and a wish for consistency and authenticity in every area of people's lives. People want to know that the brands they use are both doing the right thing and seeking ways to manage an increasingly complex and unstable macro-economic environment.

People have also become more aware of how environmental and social issues – and corporate governance too – could affect their investments' value. For example, they see images of drought, associated with climate change, and understand that this could reduce crop yields. Effective stewardship that encourages companies to do better at ESG issues could reduce ESG risks – both for companies whose shares they hold and for portfolios as a whole. For example, encouraging businesses to set out clear plans for a transition to net zero greenhouse gas emissions could contribute positively to the battle against climate change.

How can wealth managers deal with recent ESG challenges, including fears of greenwashing and a cynicism in some quarters about the idea that stewardship can be effective?

Sunlight is the best disinfectant, as the American lawyer Louis Brandeis pointed out; that's why we place a high value on transparency. For example, our voting record is on our website. In 2023 we're enhancing this by uploading a rationale for every vote against management.

International standards setters' work on ESG ratings should also help preserve faith in stewardship. For a little while, issues have been raised about inconsistencies in how companies are rated on their sustainability profiles. We hope work by the International Sustainability Standards Board on this can bring much-needed common sense.

How did Rathbones enhance its stewardship in 2022?

We started the year by receiving Stewardship Code accreditation, which underlined the enhancements we made to our stewardship reporting. We continued to add to the teams working on responsible investment across the Group. This gave us our greatest ever capacity for focusing on key issues in order to add value for our clients.

We also developed a strategic engagement plan that covered themes and objectives for 2022 and beyond.

What future ESG challenges might the investment industry face?

The investment industry is being challenged to walk the talk; hence the need for transparency. In 2023, we expect more investor disquiet on executive pay in the UK as the cost-of-living crisis continues. But this hasn't distracted us from the biggest challenge facing society – and by extension the investment industry: climate change.

What's your long-term vision for stewardship at Rathbones?

We want to develop engagement and voting in tandem with ESG integration. We're also looking for future big issues, hitherto underplayed or even neglected by investors, where stewardship could reduce risks and contribute to solving environmental and social problems. An example is biodiversity, which supplies 'ecosystem services' such as crop pollination, worth perhaps $125 trillion a year. That makes biodiversity important to many client holdings.

OUR CORE STEWARDSHIP TEAM

Matt Crossman
Stewardship director

As stewardship director, Matt Crossman is responsible for Rathbones' stewardship policy, proxy voting and engagement on ESG issues. He's spent his 19-year career exclusively in responsible investment.

Matt is a graduate of the University of Bristol where he studied law, with a particular interest in the administration of environmental law. Matt also has postgraduate qualifications in sustainable development theory and practice.

In 2022, Matt led our engagement with priority FTSE 100 companies on climate change.

Archie Pearson
ESG and stewardship analyst – voting lead

Archie works on informed proxy voting and corporate engagement to advance Rathbones' stewardship policies. He also promotes the integration of ESG into our investment process.

Archie previously worked for Oikocredit, which funds microfinance institutions, co-operatives and small businesses in developing countries. Archie has a Master's in Theology from the University of Edinburgh.

In 2022, Archie led a session for Chartered Institute for Securities & Investment members on how investors can use voting and engagement to influence corporate behaviour and promote best practice on ESG.

Kazuki Shaw
ESG and stewardship analyst

Kazuki joined the stewardship team in 2021 as a junior ESG analyst, to assist with proxy voting, corporate engagement and the integration of ESG into investment. Before Rathbones, Kazuki worked on the sell side at Credit Suisse Securities in Tokyo and HSBC in London.

He has a BA in Oriental Studies from the University of Oxford and is a Chartered Financial Analyst Level 1 candidate. In 2022 Kazuki wrote pieces on voting and on unionisation for Investment Insights, our quarterly publication for clients.

Tilia Astell
Junior ESG and stewardship analyst

Tilia joined Rathbones in 2022 to work on corporate engagement, informed proxy voting and the integration of ESG factors into investment. Tilia was previously knowledge officer at the charity Accounting for Sustainability (A4S).

She has a geography degree from the University of Durham and the Certificate in Green and Sustainable Finance from the Chartered Banker Institute.

In 2022, Tilia initiated Rathbones' new approach to the stewardship of nature and biodiversity. This included identifying priority companies for engagement by assessing which securities held by clients pose the greatest biodiversity risk.

In addition to our stewardship team our investment professionals can draw upon the knowledge and experience of a number of responsible investment professionals working across the areas of ESG integration, data and policy.

EXECUTIVE SUMMARY

RESPONSIBLE INVESTMENT POLICY

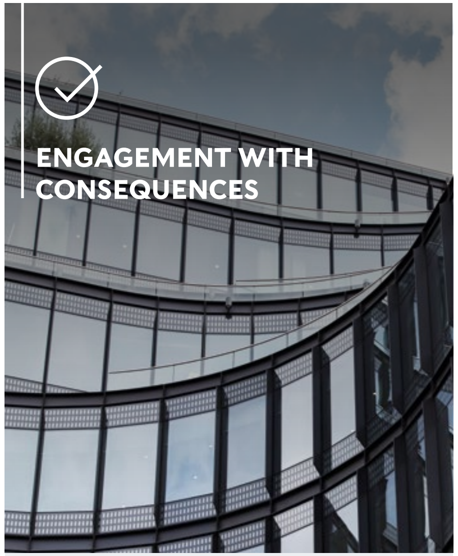
The foundations of our responsible investment policy consist of four core principles:

ESG INTEGRATION

We consider ESG factors in the evaluation of investments, to help identify ESG opportunities and risks.

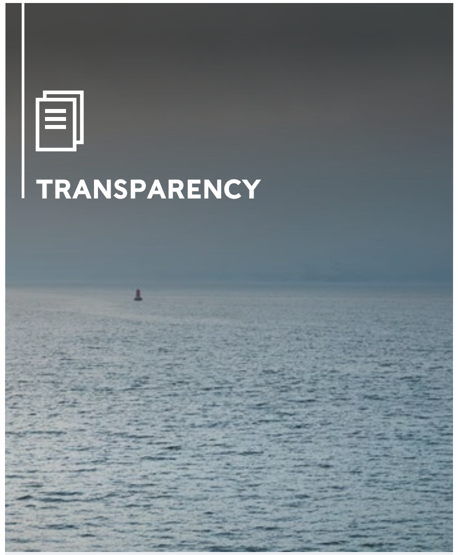
VOTING WITH PURPOSE

We actively vote in line with our responsible investment policy.[1]



ENGAGEMENT WITH CONSEQUENCES

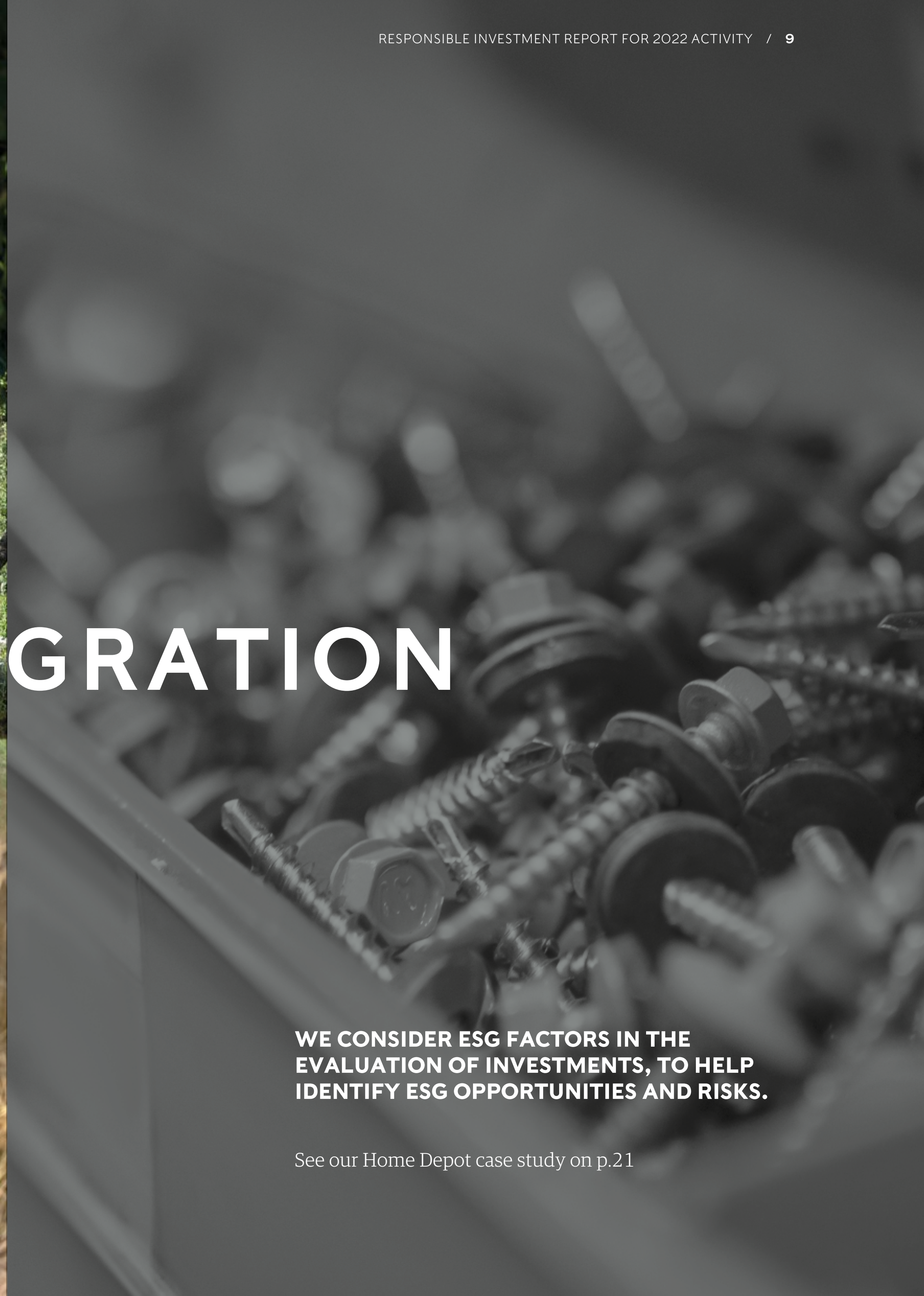
We prioritise engagement where we believe we can make a real difference in addressing the world's environmental and societal challenges.[2] We are prepared to reduce our holdings in companies that continue to present an ESG risk over time.



TRANSPARENCY

As a participant in financial markets, we are committed to being transparent about our approach to responsible investment. We actively report on the progress of our responsible investment activities to our clients, shareholders and other stakeholders.

1. This may involve voting against management to help drive positive change.
2. We also prioritise engagement to address other issues that may be material to investors holding specific investments.



RESPONSIBLE INVESTMENT PRINCIPLE 1

ESG INTEGRATION

WE CONSIDER ESG FACTORS IN THE EVALUATION OF INVESTMENTS, TO HELP IDENTIFY ESG OPPORTUNITIES AND RISKS.

See our Home Depot case study on p.21

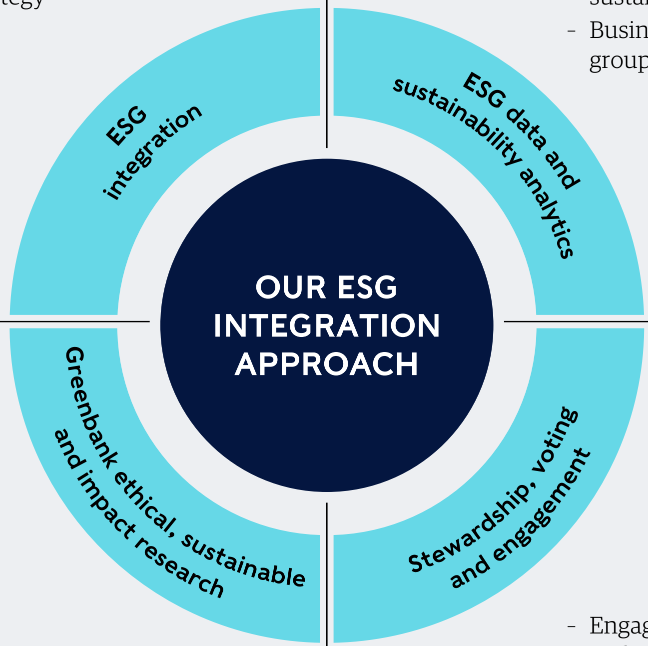
ESG INTEGRATION AT RATHBONES

The integration of environmental, social and governance (ESG) considerations into our investment process is a core principle of our responsible investment policy.

Our investment professionals are responsible for integrating ESG considerations into investment decisions. In 2022 we made considerable progress in developing data and processes to support the consideration of material ESG factors and sustainability, combined with insights from company engagement and financial analysis. Our integration approach is informed by data that can be flawed, so we've taken a thoughtful approach to data and model management to mitigate gaps or inconsistencies. This emphasises the vital importance of qualitative input from our responsible investment specialists and financial analysts. We continue to evolve our integration approach and to embed enhancements into our investment process.

- ESG factors weighed alongside financial factors and reflected in recommendations
- Focus on material value and risk drivers
- Enhanced due diligence into external fund managers' ESG strategy
- Ongoing monitoring

- Financial and sustainability materiality mapping
- Controversy and sustainability risk monitoring
- Carbon, climate scenario and sustainability measures
- Business involvement and group exclusions



- Ethical screening
- Advocacy and engagement
- Sustainability and impact assessment
- Alignment with United Nations Sustainable Development Goals

- Engagement themes and advocacy
- Engagement with boards
- Sustainability assessment
- Governance and voting

RESPONSIBLE INVESTMENT PRINCIPLE 2

VOTING WITH PURPOSE

WE ACTIVELY VOTE IN LINE WITH OUR RESPONSIBLE INVESTMENT POLICY.[1]

See our SSE/National Grid case study on p.32

1. This may involve voting against management to help drive positive change.

VOTING POLICY

As advocates of responsible investing, we try to promote a culture of responsibility within portfolio companies. We believe it's in our clients' best interests that portfolio companies adopt good practice in ESG risk management and corporate governance. We press for this through our votes. As shareholders in companies we invest in on behalf of clients, we have the right to vote on how companies are run - and by whom. This is primarily at annual general meetings (AGMs). Through voting, we seek both to act as a long-term steward for a more sustainable world and to protect returns.

The voting committee is responsible for our bespoke voting policy. We determine what matters to our clients, rather than applying the views of an external proxy voting consultant. Our bespoke policy applies to Rathbones Investment Management and informs voting at Rathbone Unit Trust Management.

Through voting, we encourage boards to:

- embed clear values and standards throughout the organisation
- develop a culture of transparency and accountability
- concentrate on strategic issues rather than short-term performance
- maintain systems of internal control and risk management
- create fair remuneration at all levels that rewards achievement
- responsibly manage impacts on all stakeholders.

To deliver these goals, we believe that boards should, as a bare minimum, have:

- an independent chair
- separate people for the roles of chair and CEO
- the necessary balance of experience, knowledge and independence, including an adequately diverse range of people, for the board and its committees
- independent non-executive directors filling at least half the board seats, at larger companies.

Following our latest annual review, we've taken firmer stances on:

1. **climate change**
2. **audit failings**
3. **gender and racial diversity on the board and in senior management**
4. **corporate governance at FTSE AIM companies (mainly smaller companies).**

2022 VOTING REVIEW – RATHBONES INVESTMENT MANAGEMENT

In 2022, we voted on 11,029 resolutions on behalf of our clients (a process known as proxy voting) at 837 company meetings, up from 9,348 resolutions at 748 company meetings in 2021. This made 2022 our busiest voting season on record.

The voting decision is guided by the voting policy, informed by the stewardship team, in conjunction with the financial analysts responsible for covering the company. Where we have ESG concerns that might prompt a vote against management, we also consult with the top holders of a security. This decision is based on our voting policy.

The majority of resolutions at companies' annual general meetings are routine matters, for example about the election of directors to the board, as in many markets all directors have to be re-elected annually. However, resolutions also cover important issues such as executive pay, the appointment of the company's auditors and approaches to managing ESG risk. Votes on ESG issues tend to be through special resolutions requested by shareholders, known as shareholder proposals. The majority of these were filed in the US market; they're generally opposed by management.

You can check any vote in real time on the vote disclosure page of our website.

We opposed management 791 times, up from 538 the previous year. Failure to back management with a vote of endorsement is a relatively serious step, which we tend to take only where significant concerns need to be raised. This often follows unsuccessful dialogue with the company. We most commonly vote against board directors. However, our votes against management on environmental and social issues are increasing. A notable feature of the 2022 voting season was the increase in 'Say on Climate' resolutions at listed companies - votes where shareholders decide whether to endorse companies' decarbonisation plans. We voted against management Say on Climate resolutions 9 out of 16 times.

RATHBONES INVESTMENT MANAGEMENT VOTING RECORD, 2022

	Number	Percentage
Number of items voted on	**11,029**	
Votes against management	**791**	7.2%
Votes with policy	**10,531**	95.5%
Votes against policy	**555**	5.0%
(Votes on shareholder proposals)	**279**	2.5%

Note: The number of votes with and against management policy don't add up to the number of items voted on. This reflects the fact that different investment managers may have different views, in response often to the views of their clients. For this reason, it's entirely plausible (though not frequent) for us to enter three different votes for each voteable item – For / Against / Abstain – or some combination of two of these.

RESOLUTIONS VOTED ON IN 2022

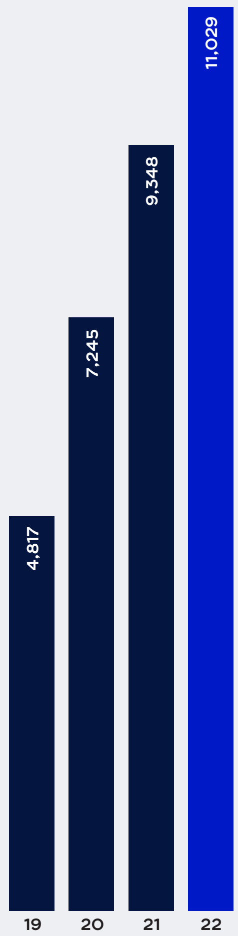
11,029

837
company meetings in 2022

748
company meetings in 2021

554
company meetings in 2020

386
company meetings in 2019



VOTING WITH PURPOSE / VOTING REVIEW CONTINUED

The proportion of votes on the side of company management may seem high. However, it's important to note that if we had grave concerns over corporate governance at a company, we wouldn't have considered investing in it in the first place.

We've voted against our own policy 5% of the time. This, too, may seem odd at first sight, but it reflects the fact that voting is part of a wider, ongoing relationship with company management. Several situations can occur where it's entirely reasonable to vote differently than our policy states. The most common is when we contact the company following a negative recommendation from the specialist service provider we use to give us recommendations based on our voting policy, and receive information not known to the service provider. Moreover, companies can often respond well to our pre-AGM engagement by making concessions or changes. Ultimately our goal is to create change, rather than blindly voting 100% in line with our policy. Sometimes, we vote against management where our policy doesn't automatically flag an issue, but our deep knowledge of a company suggests otherwise.

We include a summary of the issues where we voted against management in 2022. This general increase is less an indication of declining management quality than a sign of increased activism on ESG issues by investors, and our confidence in challenging management on issues that are important to our stakeholders.

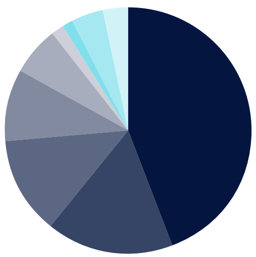
The high number of votes – relative to other topics – against the re-election of directors reflects our tactic of opposing the director responsible for a particular issue where we find fault with the company. For example, we may vote against the chair of the nomination committee when the board is not independent or sufficiently diverse. The nomination committee makes recommendations for appointments to the board.

Our second most common area of opposition was executive pay. We saw a notable increase in such votes last year. This often related to the resetting of the economy after the relaxation of COVID-19 restrictions. Some companies failed to adjust financial targets in pay arrangements to reflect a new reality where the disappearance of pandemic-era restrictions made it easier for companies to operate. This lack of adjustment often resulted in the payment of bonuses in full despite mediocre financial performance.

In 2022 we reported votes against management on social and environmental issues separately for the first time. The numbers of opposing votes on these issues were up significantly on the previous year, based on our retrospective analysis of the 2021 number. Despite the increase in Say on Climate resolutions, votes against management on social issues were more prevalent than for environmental concerns for the first time. This reflects a shifting narrative in the US market.

RATHBONES INVESTMENT MANAGEMENT: VOTES AGAINST MANAGEMENT BY TOPIC, 2022

784



Directors	348
Executive pay	129
Shareholder rights	101
Social	75
Environmental	49
Mergers, acquisitions and takeovers	13
Audit	12
Other governance	31
Other	26

NB Votes against management are calculated in a different way than for the corresponding table on the overall voting records.

RATHBONE UNIT TRUST MANAGEMENT VOTING REVIEW

In 2022, we voted on 6,232 resolutions at 470 company meetings across companies held in our Rathbone Unit Trust Management (RUTM) funds. This was broadly similar to the 2021 number of 6,366 resolutions at 480 company meetings.

At RUTM, the final voting decision is taken by the individual fund manager in question, with the decision-making process supported by the group stewardship team.

RATHBONE UNIT TRUST MANAGEMENT VOTING RECORD, 2022

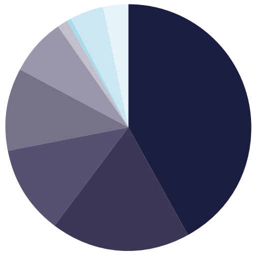
	Number	Percentage
Items voted on	**6,232**	
Votes with management	**5,812**	93.3%
Votes against management	**450**	7.2%
Votes with policy	**6,084**	97.6%
Votes against policy	**184**	3.0%
(Votes on shareholder proposals)	**174**	2.8%

Note. The number of votes with and against management and with and against policy don't add up to the number of items voted on. This reflects the fact that different fund managers may have different views. For this reason it's entirely plausible (though not frequent) for us to enter three different votes for each voteable item – For / Against / Abstain – or some combination of two of these.

Votes against management were up from 5.6% in 2021 to 7.2% in 2022, a record high for RUTM voting. A growing knowledge of ESG issues among RUTM fund managers creates an environment of increasing confidence in challenging boards to meet ever higher standards of ESG risk management.

RATHBONE UNIT TRUST MANAGEMENT: VOTES AGAINST MANAGEMENT BY TOPIC, 2022

450



Directors	189
Executive pay	83
Shareholder rights	52
Social	49
Environmental	34
Audit	6
Anti-takeover	3
Other governance	20
Other	14

When it comes to environmental and social resolutions, management teams are typically against any suggestions of micromanagement, and very often encourage investors to vote against ESG-themed resolutions. However, for the 34 environmental and 49 social resolutions listed here, we felt we had no option but to vote against management by supporting the resolutions.

The dynamics of votes against were similar to those for Rathbones Investment Management's voting.

RESOLUTIONS VOTED ON IN 2022

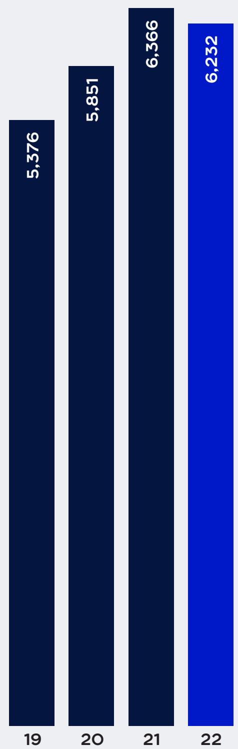
6,232

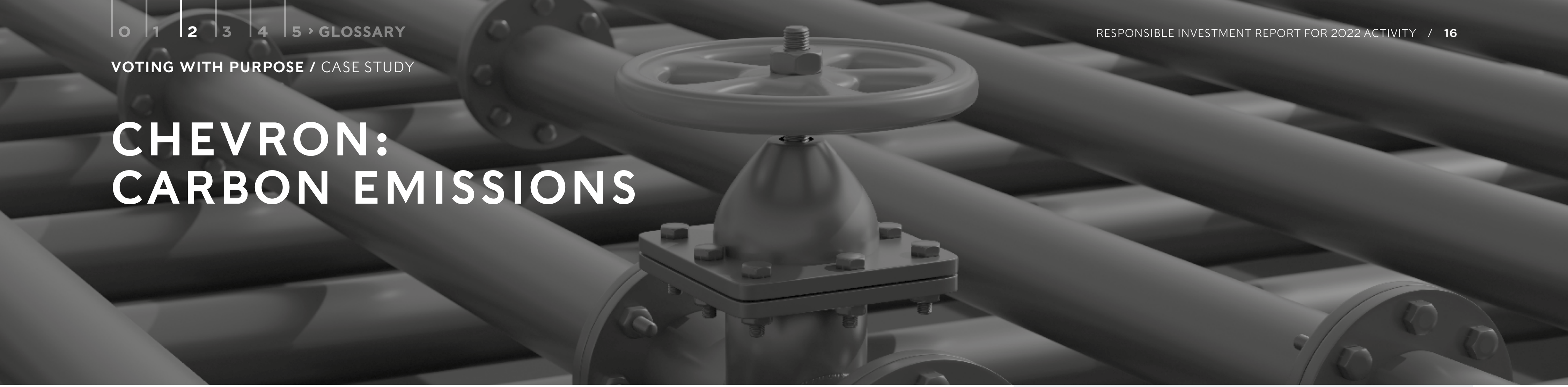
470
company meetings in 2022

480
company meetings in 2021

442
company meetings in 2020

420
company meetings in 2019





CHEVRON: CARBON EMISSIONS

1 ISSUE

We support an initiative led by investors called Climate Action 100+ (CA100+). It operates a benchmark designed to enable investors to assess the robustness of companies' business plans in a range of climate scenarios, based on what they've disclosed. This benchmark assesses the performance of companies against 10 indicators, as 'yes', 'no' or 'partial'. The more yesses and fewer noes the company scores, the better prepared it has shown itself to be in responding to climate change. At the time of its 2022 AGM, Chevron either scored 'no' or 'partial' on a majority of the 10 indicators. These included an ambition to reach net zero greenhouse gas emissions by 2050 and aligning capital spending with decarbonisation – reducing the release of carbon into the atmosphere.

Looking at this in more detail, Chevron hasn't disclosed how its targets align with the International Energy Agency's (IEA's) Net Zero by 2050 pathway. This sets out what the energy industry needs to do, and by when, to achieve net zero. Chevron's Scope 3 emission targets also need clarity. Scope 3 covers emissions not directly generated by the company or associated with energy it buys. In Chevron's case, this predominantly means the combustion by end users of the fossil fuels it produces. Moreover, the board had failed adequately to respond to climate-related shareholder proposals filed at previous AGMs, despite considerable support.

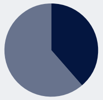
2 PROCESS

We decided to vote against the re-election of the combined CEO and chair, lead independent director and public policy and sustainability committee chair. We concluded that stronger independent oversight and board management of climate risks at the company were necessary. We also supported two separate climate shareholder resolutions. One called for the company to adopt medium and long-term greenhouse gas emissions reduction targets. The second pressed it to issue an independently audited report showing how the IEA's Net Zero by 2050 scenario would affect the assumptions and estimates underlying its financial statements.

3 OUTCOME

There was a 7.6% vote against the CEO/chair, with 12.7% opposition to the lead independent director and 2.4% to the public policy and sustainability committee chair. We were pleased to see dissatisfaction with board members reach double digits in two cases. The first and second climate resolutions received 32.6% and 39.7% support respectively, showing that they raised key issues for shareholders. Our voting decisions don't show a desire for a completely new strategy. We're interested, rather, in filling in gaps in the approach to net zero.

Without a credible net zero commitment aligned with the Paris Agreement's goal of limiting global warming to 1.5°C, shareholders cannot feel confident about the effective management and mitigation of stranded assets and other climate risks at the company. Stranded assets are those that suffer devaluation or writedowns because they prematurely reach the end of their useful life. This can be caused by a variety of factors, such as shifts in the demand for fossil fuels or regulation in response to climate change.



SUPPORT FOR RESOLUTION ON NET ZERO SCENARIO

38.7%

GLENCORE: COAL

1 ISSUE

Glencore, an international mining group listed in the UK and South Africa, is taking several steps to strengthen its 2050 net zero commitment made in 2021. However, there's considerable scope for improvement. One concern is that Glencore may have under-reported its operational emissions by 11-24% between 2018 and 2021. Glencore's 2019 emissions are particularly significant because this is the baseline year for its 2026, 2035 and 2050 emissions reduction targets.

Glencore has also been expanding coal production at several Australian sites, including a brand-new coal mine. This is directly at odds with its policy to run down coal production over time.

Moreover, Glencore hasn't committed to align capital spending with reducing its operational carbon footprint and cutting Scope 3 emissions (90% of which come from coal).

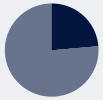
We also noted that Glencore hasn't set an emissions reduction target for 2030, even though this is the critical decade for climate action. Moreover, InfluenceMap, a think tank, has ranked Glencore as the eighth most obstructive company blocking climate policy action globally.

2 PROCESS

We decided to vote against the re-election of the chair and the management-backed Say on Climate resolution. Say on Climate votes ask shareholders whether they endorse companies' decarbonisation plans. Rathbones believes that climate risks can affect the performance and valuation of investments. This includes both individual companies that risk being left behind by the global transition to net zero and the many companies that will be affected by the physical changes to the world caused by climate change.

3 OUTCOME

There was a 10.7% vote against the chair and a 23.7% vote against the management-backed Say on Climate resolution. Opposition to the latter was above the 20% threshold necessary to place the company on the UK Investment Association's Public Register, the world's first register tracking shareholder dissent. This lays the foundation for further engagement with the company on climate. We called on the board to ensure that the issues highlighted in our engagement – ahead of the 2023 AGM – were addressed to ensure our support for the next year's Climate Progress Report.



OPPOSITION TO BOARD-BACKED SAY ON CLIMATE

23.7%

GENERAL MILLS: PLASTIC PACKAGING

1 ISSUE

Companies are facing increased public scrutiny for excessive use of plastic, including plastic packaging. A 2020 study by the Pew Charitable Trusts found that without stronger corporate commitments, the amount of plastic entering the ocean could triple by 2040. Other research has found that six billion tonnes of plastic have been created in the last 60 years.

General Mills, a US food maker, has failed to set any goals for reducing absolute plastic use. The company has committed to make all of its packaging recyclable and reusable by 2030. However, 23% of its packaging by weight comes from plastic and the company is not seen as moving fast enough on the issue.

We've seen large support for shareholder proposals on plastic at other large US companies. General Mills is at risk of falling even further behind the commitments made by peers such as Kellogg, Mondelez and Kraft Heinz. They've set plastic reduction targets and signed up to the Ellen MacArthur New Plastics Economy Global Commitment, which binds them to reduce plastic waste.

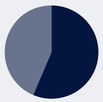
We fear that companies in which we invest that fail to address plastics use could lose customers and face an increasing risk of litigation. This could hit their share prices.

2 PROCESS

We supported the shareholder proposal calling for the company to report on how it can speed up an absolute reduction in its use of plastic packaging. Rathbones will generally support shareholder resolutions making reasonable requests for increased transparency on ESG matters. We believed that support for this proposal by the board would reassure shareholders that this is a key area of consideration for the company.

3 OUTCOME

The resolution passed, with 56.4% support. It's unusual to see shareholder proposals gain majority support in the US. As the vote is advisory, the company doesn't technically have to make any changes. However, it's at risk of suffering considerable damage to its reputation if it fails to do what the proposal asks by the time of the next AGM. This could lead to votes against incumbent directors. We will monitor the actions of the company to see if changes are made in 2023.



SUPPORT FOR REPORT ON PLASTIC PACKAGING

56.4%

TESLA: HARASSMENT AND DISCRIMINATION

1 ISSUE

The US electric car maker is contributing to the world's move to net zero. However, it has faced multiple allegations of racial discrimination and sexual harassment in its workplaces. Tesla recently paid out $15m in damages in a discrimination case, with several more lawsuits ongoing.

Companies found to be failing to stamp out racial discrimination and sexual harassment can suffer substantial reputational, legal and operational risks. We've seen several large US companies experience large votes against incumbent directors over the poor handling of these issues. We've also witnessed a growing number of highly supportive shareholder proposals calling for enhanced disclosure of how companies are preventing abuse, discrimination and harassment.

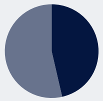
These claims are worrying to investors in the company not just because of the distress to the people involved. They could affect the company's ability to recruit and retain employees. This in turn can harm corporate performance and have a financial impact through higher recruitment costs.

2 PROCESS

We supported the shareholder proposal filed by the Office of the New York State Comptroller. This called for the company to oversee the preparation of an annual public report to describe and quantify the effectiveness and outcomes of company efforts to prevent harassment and discrimination against protected classes of employees, such as women and different ethnic groups. We felt a report of this nature would supplement the notable steps being undertaken by the company and provide further reassurance to investors that the company was taking this seriously. We asked the board to improve the level of disclosure of how the company is managing and mitigating these risks.

3 OUTCOME

The proposal received 46.5% support. Although this wasn't quite high enough to pass, it confirmed that shareholders are highly interested in action to prevent harassment and discrimination, putting pressure on the company to ramp up disclosure about this. We will continue our engagement with the company in 2023 and expect this issue to be raised again at the 2023 AGM.



SUPPORT FOR REPORT ON HARASSMENT AND DISCRIMINATION

46.5%

AJ BELL: MODERN SLAVERY

1 ISSUE

As long-term investors, we believe it's fundamentally important that UK companies comply with all provisions of the Modern Slavery Act 2015, since modern slavery is embedded in the global economic system. To do so gives investors increased confidence in the company's risk management, making continued investment more attractive.

However, the Act lacks enforcement powers, so investors must step in to fill the breach. We therefore use our shareholdings to try and create greater transparency about corporate behaviour. Votes Against Slavery, a coalition of investors created by Rathbones, presses companies to meet the demands of the Modern Slavery Act on a particular issue where compliance is often lacking. This is the requirement to publish a statement every year setting out the steps they've taken to ensure modern slavery is not taking place in their business or supply chains.

Please see the section on Votes Against Slavery on p.28 for more details on this issue.

2 PROCESS

We discovered that AJ Bell, a UK company that provides investment platforms and stockbroking, had failed to meet the letter of the law as it was not explicitly clear if the company's modern slavery and human trafficking statement had been approved by the board of directors. This is more than box-ticking: because of the risk of modern slavery, which is found in every industry globally, we regard oversight of the issue at the very top of the company as essential. The lack of clarity at AJ Bell prompted us to vote against the approval of the financial statements and statutory reports.

3 OUTCOME

The stewardship team had a meeting ahead of the AGM with the head of investor relations, who noted that this was an oversight by the company and thanked us for raising the issue. It was confirmed that the new 2022 statement would clearly show that board approval had been given and that this would be overseen by the chief risk officer. However, we still decided to vote against the financial statements and statutory reports. Because of our engagement, the company better understood the importance of seeking and showing board approval for the modern slavery statement.

AJ BELL TO PROVIDE GREATER CLARITY ON EFFORTS AGAINST MODERN SLAVERY

THE HOME DEPOT: RACIAL JUSTICE

1 ISSUE

2022 saw a record number of shareholder proposals in the US calling for racial justice audits. Eight proposals gained majority support, up from zero in 2021. These proposals call for companies to show how their policies and practices are eradicating racism and delivering equality and civil rights among their workforces and wider stakeholders.

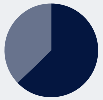
The Home Depot, a US DIY retailer, has come under scrutiny for the effect of some of its practices and policies on racial justice. Continuing allegations could harm the company's ability to recruit and retain employees - and could pose significant operational, legal and reputational risks to the business. As long-term investors, we're supportive of proposals to improve disclosure of key ESG risks.

2 PROCESS

At the company's 2022 AGM, The Service Employees International Union Master Trust filed a shareholder proposal calling on the company to oversee and report on a third-party racial equity audit of the company's policies and practices. This included an examination, in particular, of their impact on non-white stakeholders and communities.

3 OUTCOME

The proposal passed, with 62.8% support. So too did a shareholder proposal for the company to report on its efforts to eliminate deforestation across its supply chain. It's rare to see ESG shareholder proposals in the US gain majority support - and even more so, two at the same AGM. The Home Depot eventually responded to shareholders by agreeing to commit to what both proposals were demanding. We commend the approach of the company and will review these reports when they become available in 2023.



SUPPORT FOR RACIAL EQUITY AUDIT

62.8%

BARRATT DEVELOPMENTS: WOMEN ON THE BOARD

1 ISSUE

The business case for diversity is strong. Studies by the consultancy McKinsey and others suggest that companies with executive teams featuring strong gender and ethnic diversity are more likely than companies with more uniform teams to outperform their peers on measures such as profitability. This reflects evidence that a diverse group of people may make better decisions.

In the UK, all FTSE 100 and FTSE 250 companies were expected to meet the government's Hampton-Alexander Review target of 33% female representation at board and senior management level by December 2020.

Building on this, the Financial Conduct Authority now requires listed companies to meet two gender benchmarks or explain why they haven't done so. One is that at least 40% of board members should be women. The other is that at least one of the four senior board positions of chair, chief executive officer, chief financial officer and senior independent director should be female. Companies should also have at least one ethnic minority board member.

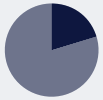
At UK housebuilder Barratt Developments, women made up only 25% of the board by the time of the 2022 AGM, though the company had met the ethnic benchmark target. As of June 2022, women held only 17% of senior manager roles, with men occupying all four senior board positions.

2 PROCESS

We decided to vote against the re-election of the nomination committee chair (and chair of the board) John Allan, holding him accountable for the low number of women on the board and in senior management. The nomination committee makes recommendations for appointments to the board.

3 OUTCOME

In all, 20.4% of shareholders voted against Mr Allan's re-election. This was above the 20% threshold needed to place the company on the UK Investment Association's Public Register. This increased pressure on the board to make changes, consult with shareholders and disclose how it has addressed their concerns. A failure to meet these targets could lead to reputational risks and votes against the chair and nomination committee directors at the next AGM.



OPPOSITION TO NOMINATION COMMITTEE CHAIR

20.4%

WHITBREAD: EXECUTIVE PAY

1 ISSUE

As a hotel and pub operator, Whitbread was significantly affected by the pandemic. It took a number of commendable steps to rein in executive remuneration to share the pain experienced by shareholders and stakeholders. The board decided to delay the payment of the FY2020/2021 bonus, after a substantial minority of shareholders voted against the remuneration report. The following year, senior management chose to forego it altogether. The company reinstated the dividend and improved performance during the latest reporting period, to the point that it exceeded peers in sales and growth. We welcomed the pay restraint by the board and senior management, and the recovery in corporate performance.

However, in 2021/2022 Whitbread, which is headquartered in the UK but has interests elsewhere, received £61.7 million from the UK government's job retention scheme, £56.3 million in UK business rates relief and £43.6 million from German government support schemes. It's under no obligation to pay the money back, but many companies have done so. We do acknowledge that the board chose to reduce the 2021/2022 bonus paid to senior management to below the maximum possible under the remuneration arrangements. However, we felt that the board should have cut the bonus further still, because the company had failed to commit to reimbursing government.

2 PROCESS

In line with our bespoke voting policy, Rathbones doesn't approve bonus awards for companies that have made use of UK government payment facilities, have failed to commit to repay these and have failed to reflect this by exercising appropriate discretion in reducing executive pay below the maximum possible.

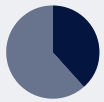
We decided to vote against the remuneration report for directors. We found it concerning that the board did not further reduce the annual bonus for senior management to reflect the experiences of shareholders, employees and wider stakeholders.

We also saw a risk to the company's reputation in paying generous annual bonuses to senior management. This was particularly so given the large vote against the remuneration report at the 2021 AGM. That was prompted by the company's decision to carry over executive bonuses accrued during the pandemic despite job cuts, the use of state funds to furlough employees, and growing public awareness of high executive remuneration.

3 OUTCOME

The remuneration report for directors received a 38.4% vote against, making it one of the largest votes against pay during the UK 2022 AGM season. This was above the 20% threshold necessary to put the company on the UK Investment Association's Public Register.

We engaged with the company following the AGM; Whitbread acknowledged to us that it should have exercised more discretion in reducing executive pay. We concluded that management now appreciated the importance of using appropriate discretion in the future. Given this, we supported the proposed pay arrangements set for the next three years under the remuneration policy.



VOTE AGAINST DIRECTORS' REMUNERATION REPORT

38.4%

RESPONSIBLE INVESTMENT PRINCIPLE 3

ENGAGEMENT WITH CONSEQUENCES

WE PRIORITISE ENGAGEMENT WHERE WE BELIEVE WE CAN MAKE A REAL DIFFERENCE IN ADDRESSING THE WORLD'S ENVIRONMENTAL AND SOCIETAL CHALLENGES.[1] WE ARE PREPARED TO REDUCE OUR HOLDINGS IN COMPANIES THAT CONTINUE TO PRESENT AN ESG RISK OVER TIME.

See our SSE and National Grid case study on p.32

1. We also prioritise engagement to address other issues that may be material to investors holding specific investments.

ENGAGEMENT WITH CONSEQUENCES

Engagement is a term we use to describe how we use our influence as an investment firm representing a large number of clients as shareholders to drive positive change in corporate behaviour and activity. This is done through dialogue with companies in which we invest.

We conduct all engagement on our own behalf or through investor coalitions and other collaboration with investors. We don't outsource any engagement services because we see engagement and stewardship as fundamental to our fiduciary duties.

Rathbones engaged with companies and governments around the world 671 times in 2022, on a wide range of issues.

We believe that such dialogue can deliver benefits to our clients in a number of ways - not least in its ability to improve the disclosure of information on ESG risks.

Moreover, there's statistical evidence that engagement with companies on material ESG issues can lead to better investment outcomes.

We also believe that engagement on ESG issues with companies in which we invest forms part of our wider responsibility, as a business, to society. One example is our engagement with companies on their plans for net zero. Climate change threatens to affect a wide range of assets adversely, so mitigating it is in the interests of our clients as well as society as a whole.

Rathbones doesn't have unlimited resources to engage in depth on every issue at every company it holds. For this reason, we have to make choices about what to engage on, based on an issue's relevance and materiality to our holdings and the expected effectiveness of our engagement activities on it. Giving priority to engagement topics and targets is therefore essential in meeting our stewardship responsibilities.

Our voting activities cover our equity holdings, where shareholder rights present a clear opportunity for direct, annual engagement. We've also started to expand our engagement activities to cover other asset classes, including collectives.

ENGAGEMENT PROCESS

In deciding whether to engage, we consider:

1. Exposure: across our portfolios we may hold stakes in smaller companies that, while small in value, are significant because they account for a high proportion of total voting rights. We're more likely to engage directly where we hold a significant stake in the company, which we define as above 3% of a company's share capital, or where shares in the company are widely held across Rathbones. We're also more likely to engage when the company is on our list of recommended securities.
2. Severity: we're more likely to engage on issues that present an immediate or severe threat to the best interests of our clients, or where the ESG issues in discussion are pressing and serious.
3. Location: we're more inclined to engage with companies when we have a deeper understanding of the local legal framework.
4. Expertise: we're more likely to engage where we have a deeper experience of a company or issue. We select certain issues for specific action each year and develop specific policies for the most important ESG engagement issues.

More detail is available in our engagement policy.

Potential engagements are discussed by the engagement committee every month and referred to the responsible investment committee ahead of implementation. Members of the engagement committee and the stewardship team can nominate issues or companies for engagement.

In addition, an annual engagement plan is approved each year, detailing areas for intensive activity. Of course, new issues are always emerging and receiving public attention. We have to find a balance. On the one hand, we plan multi-year support for themes we consider deserving - climate change and human rights in supply chains in particular. Many engagements with individual companies may also span many years. On the other hand, we reserve capacity in the team for effective interventions on short-term projects that emerge over the course of the year.

The engagement methods we use and their place in an ongoing engagement are summarised in our escalation framework below.

Where we have an engagement focused on measurable outputs, we use 'SMART' (Specific, Measurable, Attainable, Realistic and Time-bound) objectives. However, many engagements deal with intangible factors such as corporate culture that are less suited to quantifiable targets. We have an annual engagement action plan, available on our website, as evidence of our commitment to transparency and desire to be held accountable by our own stakeholders.

We seek a balance between engagement that we plan ahead on core topics and retaining capacity to deal with issues as they emerge. We know issues like climate change deserve dedicated and consistent attention, but the unpredictability of events means that we sometimes need to be reactive rather than proactive. A significant ESG risk may materialise unexpectedly for any one of our holdings.

ENGAGEMENT: OUR ESCALATION FRAMEWORK

We may not use the escalation tools in sequence and will determine the appropriate escalation approach to use based on specific circumstances.

COLLABORATIVE ENGAGEMENTS

Our overarching aim is to act in the best interests of our clients. However, the interests of different shareholders in the same company often coincide. Moreover, we recognise that in certain situations our concerns will chime with the concerns of shareholders in other companies, because many ESG issues are systemic. By this, we mean that they relate to problems with the way an entire industry, aspect of society or part of the global economy operates. An example of this is how companies tend to neglect their carbon footprint, despite the cost to people, planet and the future of the value of global assets as a whole.

Coordinated, cross-sectoral action is often the best way to drive change on big issues such as these. It's often costly and time-consuming, but vital to generating real change in the most challenging areas.

We seek to work with like-minded organisations that share a strong commitment to sustainability and social justice. Partnerships can take three forms:

- organisations funded by membership, such as the Institutional Investors Group on Climate Change and Principles for Responsible Investment
- networks organised by self-funded non-government organisations, such as the World Benchmarking Alliance
- initiatives organised around a particular issue, such as co-signing a set of letters to companies and following these up. An example is the Investor Coalition on Food Policy.

We've joined the following high-level collaborative engagements:

PRINCIPLES FOR RESPONSIBLE INVESTMENT

We've been members of this leading responsible investment network, backed by the United Nations, since 2009 (see p.37 for more detail). We use the organisation's collaboration platform and engage with other members on a wide range of ESG issues each year.

In 2022 we used the platform to build support for several of our own initiatives (see page on Votes Against Slavery). We were also selected as a lead investor in 'Advance', the PRI's flagship engagement that seeks to strengthen human rights.

WORLD BENCHMARKING ALLIANCE

This is an independent organisation that presses businesses to embrace sustainable development and measure how much they're doing this – within a future that's inclusive for all. It's building ways for assessing company performance in key ESG topic areas. In 2022 we signed up to the WBA, becoming an 'Ally'. This paves the way for our involvement in 'collective impact coalitions' on key topics, mainly on social issues.

INSTITUTIONAL INVESTORS GROUP ON CLIMATE CHANGE/CLIMATE ACTION 100+

We've been full members of the Institutional Investors Group on Climate Change since 2019. We sit on the resolutions sub-group and co-lead engagement with utilities companies.

The IIGCC plays a significant role in Climate Action 100+ (CA100+), a global coalition engaging with the world's largest corporate emitters of greenhouse gases. CA100+ is a voluntary initiative that brings together – and builds on – a number of older engagement initiatives led by investors, including the IIGCC. In signing up to CA100+, investors commit to engaging with at least one of 167 companies earmarked as strategically important to the transition to a net zero global economy. They also pledge to seek commitments on the initiative's key requests to companies to:

- implement a strong governance framework on climate change
- take action to reduce greenhouse gas emissions across the value chain
- provide enhanced corporate disclosure.

We're part of a group of investors in charge of the CA100+ engagement with SSE and National Grid. For more on our work with these companies, see our detailed case studies.

GLOBAL STANDARD ON RESPONSIBLE CLIMATE LOBBYING

This was set up to strengthen the commitment of investors and companies to responsible lobbying on climate change – lobbying to achieve goals consistent with the Paris Agreement.

FIND IT, FIX IT, PREVENT IT

Rathbones kept up its work in this campaign for hospitality businesses to find victims of slavery within their supply chain and support their rehabilitation.

INVESTOR MINING AND TAILINGS SAFETY INITIATIVE

Rathbones has continued its involvement in this collaboration, set up in 2019 following Brazil's Brumadinho dam disaster, which killed 270 people when a tailings dam - a structure that stores mining waste - collapsed. In 2022 the Initiative launched the Mining 2030 Investor Agenda, a set of investor aspirations for socially and environmentally responsible mining.

VOTES AGAINST SLAVERY

The risk to society and our investments from the crime of modern slavery has never been greater: some 50 million people were in forced labour or forced marriages in 2021, according to a United Nations report. This is a rise of 10 million in only five years. We believe that UK businesses have a critical role to play in preventing modern slavery.

In a landmark piece of legislation, Section 54 (s54) of the UK Modern Slavery Act 2015 created a duty for companies to publish a statement annually and have it approved by the board, signed off by a director, and uploaded to a prominent place on the homepage of the UK website.

The statement must set out the steps they've taken to ensure modern slavery isn't taking place in their business or supply chains. The inclusion of supply chains is crucial. This is because in an age when multinationals tend to outsource so many activities, supply chains are where modern slavery is most likely to thrive if corporate oversight is lax.

However, despite the Act's good intentions, it contains no mechanism for enforcing s54. To fill this vacuum, investors have a crucial role in advancing protection for fundamental human rights.

As long-term investors, we believe it's vital that companies comply with all provisions of the Act to demonstrate a strong commitment to fighting modern slavery, given its deep roots within the global economic system. Their willingness to do so can increase investor confidence in the risk management culture within the company, making continued investment more attractive.

“IN 2022, THE RATHBONES-LED VOTES AGAINST SLAVERY CAMPAIGN WON ‘STEWARDSHIP INITIATIVE OF THE YEAR’ IN THE PRINCIPLES FOR RESPONSIBLE INVESTMENT ANNUAL AWARDS.”

With this in mind, we launched Votes Against Slavery in 2020, following a pilot scheme in 2019. Its aim was to coordinate the response of the investment community on the issue, and to provide the necessary accountability for observance.

Since 2019, the campaign has found more than 160 FTSE 350 companies failing to meet one or more of the s54 reporting requirements of the Act. The ‘Votes’ in ‘Votes Against Slavery’ refers to the commitment of investors taking part in the campaign to vote against a company’s annual financial statement and statutory report if it failed to meet the demands of s54.

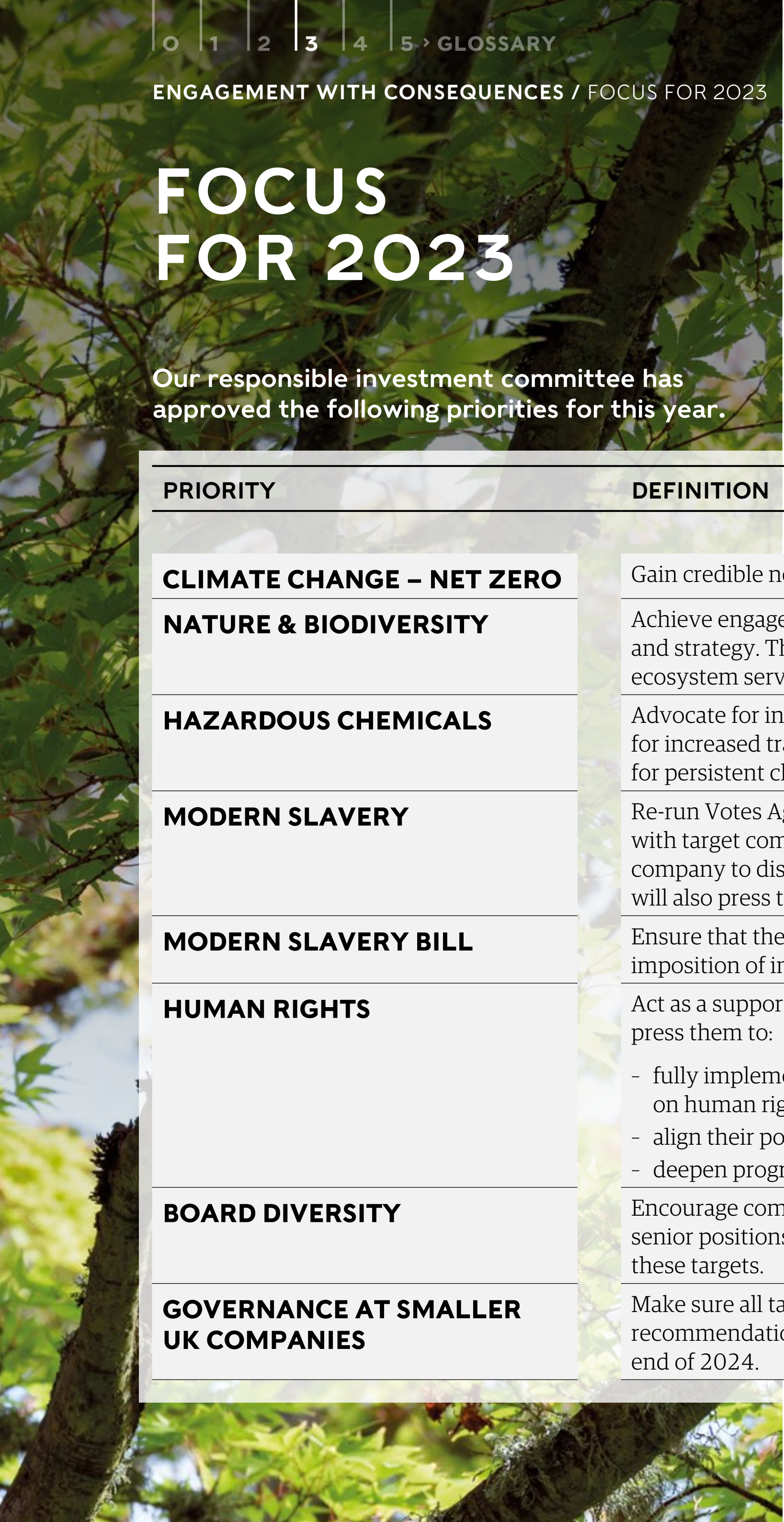
By 2022, Votes Against Slavery, co-ordinated through the Principles for Responsible Investment Collaboration Platform, was supported by 122 investors with £9.6 trillion in AUM. They targeted the 44 FTSE 350 companies that hadn’t published a compliant s54 statement as the year began.

By year-end, 41 of 44 companies had done so. The remaining three had committed to complying before their financial year-end.

In 2022, the Rathbones-led Votes Against Slavery campaign won ‘Stewardship Initiative of the Year’ in the Principles for Responsible Investment annual awards.

Signatory of:

PRI Principles for Responsible Investment



FOCUS FOR 2023

Our responsible investment committee has approved the following priorities for this year.

PRIORITY	DEFINITION
CLIMATE CHANGE – NET ZERO	Gain credible net zero commitments from target companies. More robust engagement on quality of transition plans.
NATURE & BIODIVERSITY	Achieve engagement with priority companies. Ideal outcomes of engagement include effective governance, targets, measurement and strategy. They also include effective disclosure to identify, mitigate and reverse negative impacts on biodiversity and ecosystem services.
HAZARDOUS CHEMICALS	Advocate for increased efforts to phase out harmful persistent chemicals in favour of less harmful, more sustainable alternatives. Push for increased transparency, including disclosure of all hazardous chemicals produced. Persuade companies to publish a phase-out plan for persistent chemicals and encourage them to improve their ranking in ChemScore, a key industry benchmark on the topic.
MODERN SLAVERY	Re-run Votes Against Slavery for 2023. Aim for 100% hit rate for FTSE 350 companies. Increase the number of company meetings held with target companies - the 29 that don't comply with the Section 54 disclosure requirements. We'll seek a meeting with every target company to discuss the actions they take to produce their modern slavery report. Separately from Votes Against Slavery, Rathbones will also press the FTSE AIM companies with the highest revenue to comply.
MODERN SLAVERY BILL	Ensure that the proposed demands of Rathbones, fellow investment manager CCLA and three NGOs, strengthening s54 and the imposition of import controls, are included in the new UK Modern Slavery Bill.
HUMAN RIGHTS	Act as a supporting investor on the engagement with Spanish utility company Iberdrola, supporting the wider group in engagement to press them to: - fully implement the United Nations Guiding Principles on Business and Human Rights (UNGPs), the guardrail of corporate conduct on human rights - align their political engagement with their responsibility to respect human rights - deepen progress on the most severe human rights issues in their operations and across their value chain.
BOARD DIVERSITY	Encourage compliance among FTSE 350 companies with the Financial Conduct Authority's gender and ethnic diversity targets for senior positions. Press them to ensure that planning for creating a pipeline of talent is in hand to put companies on track to meet these targets.
GOVERNANCE AT SMALLER UK COMPANIES	Make sure all targeted companies are aware of the demands of the Quoted Companies Alliance code and of investor support for their recommendations. Begin dialogue with these companies and aim to secure a firm timeline for compliance with the code, ideally by the end of 2024.

HSBC: FOSSIL FUEL FUNDING

1 ISSUE

Climate change is a major risk to global society, and by implication to investors.

The bulk of our engagement on climate change concentrates on companies involved in the direct extraction and use of fossil fuels. However, through financing other companies and activities, financial companies can either enable or hinder the transition to net zero.

2 PROCESS

In early 2021 we were part of an investor group led by ShareAction, a charity that promotes responsible investment. This group decided to file a resolution at HSBC's AGM, taking issue with the fact that its policies on financing companies weren't aligned with the Paris Agreement's goal of limiting global warming to 1.5°C.

The resolution was formally filed, but in negotiation with the company, we noted several proposals and commitments by HSBC that prompted the investor group to withdraw its resolution. At the AGM, HSBC proposed that the bank would publish and implement a policy to phase out the financing of coal-fired power and thermal coal mining by 2030 in EU/OECD markets, and by 2040 in other markets. Shareholders agreed to this.

We kept up dialogue with the company, whose formal coal phase-out policy was made public in December 2021. Throughout 2022, via our partners in the ShareAction engagement, we met with the company to encourage greater progress on phasing out financial support not just for coal but for other fossil fuels too.

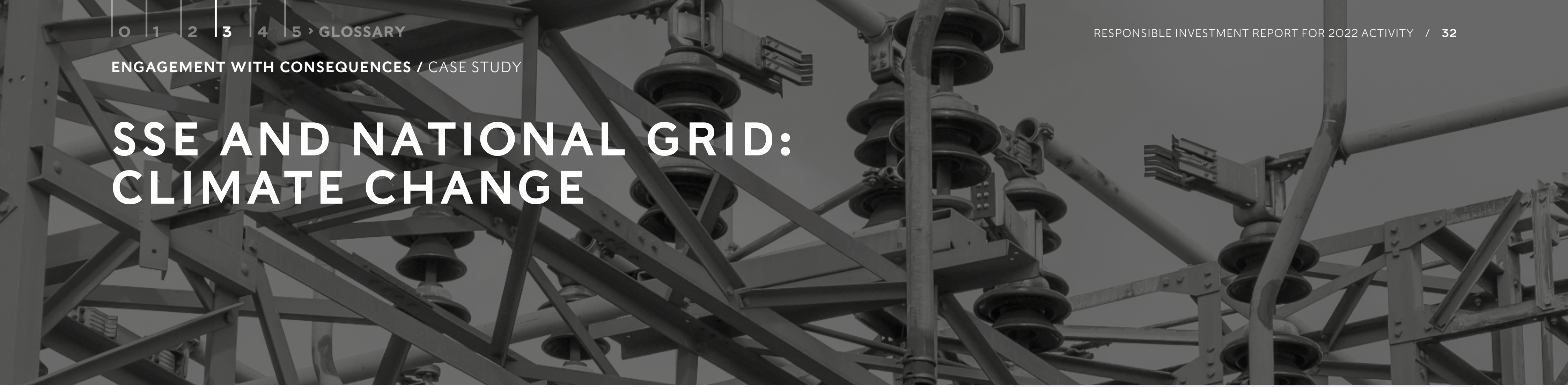
3 OUTCOME

In October 2022, the bank presented its oil and gas policy to ShareAction and representatives of the ShareAction investor group. This group provided detailed feedback.

In December 2022, HSBC made a very significant public commitment: for the oil and gas sector, the bank would "no longer provide new lending or capital markets finance for the specific purpose of projects pertaining to new oil and gas fields and related infrastructure when the primary use is in conjunction with new fields."

This makes HSBC the biggest bank to exclude direct support to new oil and gas fields, as aligned with scientific consensus on how best to achieve the Paris goals.

HSBC BECOMES BIGGEST BANK TO EXCLUDE DIRECT SUPPORT TO NEW OIL AND GAS FIELDS



SSE AND NATIONAL GRID: CLIMATE CHANGE

1 ISSUE

A great benefit of collaborative engagements is the opportunity to develop sector specialisms and longer-term relationships – both with other investors and with the companies in which we invest. Rathbones is lead investor for the Climate Action 100+ (CA100+) engagement with two UK utility companies, SSE and National Grid. CA100+ is an investor coalition that presses the biggest corporate greenhouse gas emitters on climate change.

SSE is a UK-based energy company that generates, transmits and distributes electricity in the UK and Ireland. Its long-term vision: to be a major generator of renewable energy, and to build the energy networks to enable the UK to reach its net zero goals.

National Grid transmits and distributes electricity in the UK, including operating the entire grid system. It also owns and operates electricity transmission facilities in the US.

Our investment in both companies is a significant source of embedded emissions in our group carbon footprint, which we're committed to reducing. Embedded emissions are those associated with our investments in companies, each with their own carbon footprint.

2 PROCESS

In 2022 we met senior leaders at both companies several times, as part of a group of investors in charge of the CA100+ engagement with both businesses. In conjunction with other supporting investors, we prepared and submitted investor statements at their AGMs.

For SSE, we concentrated in 2022 on the company's capital expenditure alignment with the Paris Agreement, asking how the company ensured that spending plans matched lofty ambitions on climate change. We also examined the degree of climate expertise on the board, concluding that it was sufficient. Rathbones also asked about the possibility of more concrete commitments to reduce Scope 3 emissions – primarily those stemming from the activity of customers.

We met the National Grid chair and other senior management in 2022. Our statement submitted to the AGM praised progress made – particularly the alignment with the Paris Agreement's 1.5°C goal in the UK part of the business, and the absolute Scope 3 emissions reductions target for the group. However, we thought there weren't clear targets in place to demonstrate that the entire group was fully aligned with the 1.5°C goal on a 'real zero' basis.

3 OUTCOME

SSE committed to re-issuing its Net Zero Transition Plan and exploring more ways in which the formal accounting audit process could take account of climate risk.

National Grid issued its first-ever formal Say on Climate plan – its plan for decarbonising the business, which shareholders could endorse or reject at the AGM. This was approved by shareholders, including Rathbones. It included a major step forward: a 'real zero' emissions plan for the US.

At the AGM, the chair welcomed constructive engagement by CA100+ investors and gave encouraging answers to various questions, including aligning the whole group with 1.5°C and disclosing more about lobbying.

NATIONAL GRID ISSUES FIRST SAY ON CLIMATE PLAN

SSE TO EXPLORE FURTHER HOW ITS ACCOUNTS CAN INCORPORATE CLIMATE RISK

FOREVER CHEMICALS

1 ISSUE

Some manufactured chemicals don't degrade in the environment after use. These are known as 'persistent chemicals' or sometimes 'forever chemicals'.

Experts are concerned in particular about PFAs (per- and polyfluorinated alkyl substances), a family of over 9,000 highly persistent chemicals that don't occur in nature. They've been found in the blood and breastmilk of people and wildlife all round the world. PFA exposure has been linked to numerous illnesses. For example, research suggests they increase the risk of kidney and testicular cancer. The presence of PFAs in consumer products also hinders recycling by making it technically harder.

In many cases, what's holding companies back from ramping up production of sustainable alternatives is short-termism and the convenience of simply doing what's been done before. The International Chemical Secretariat (ChemSec), a Swedish non-government organisation (NGO), also argues that chemicals manufacturers need to do more to educate their customers about the toxicity of their products.

PFAs present a problem to investors in chemicals companies because of the clear litigation risk – a risk that can be reduced since in many cases these products could already be phased out. ChemSec says planning to achieve this is imperative.

2 PROCESS

In September 2022 we teamed up with ChemSec and Aviva Investors to engage with 54 large chemicals companies around the world. We called on them to redouble efforts to phase out harmful persistent chemicals in favour of less harmful, more sustainable alternatives.

Rathbones and other investors with combined assets under management of $8 trillion signed letters asking target companies to:

- increase transparency by publishing the list of the hazardous persistent chemicals they manufacture
- publish a phase-out plan, with deadlines, for persistent chemicals
- work to improve their ranking in the annual chemical footprint survey ChemScore.

3 OUTCOME

The plan is to run the engagement for a number of years, but it enjoyed a major early win. US chemicals company 3M, which makes more than 60,000 products, announced in December that it would stop making persistent chemicals by 2025 – becoming the fifth company among the 54 to make phase-out commitments. 3M's decision follows years of increasing litigation, regulation, NGO campaigning and public opposition. However, it's clear that investors have influenced this decision, as 3M mentioned investor pressure in their press release.

3M TO STOP MAKING FOREVER CHEMICALS BY 2025

GLOBAL SUSTAINABILITY STANDARDS

As sustainable investing grows in popularity and more players in the financial system use ESG data, problems with the data's reliability are emerging. Specialist companies set up to provide ESG data to investors do so using different methodologies. This creates inconsistency in the ratings they produce. It also causes needless confusion for companies, as they often don't know precisely what data to report to the wider world.

The need to deal with this inconsistency prompted the creation of the International Sustainability Standards Board (ISSB), which now incorporates influential standards created by the Sustainability Accounting Standards Board. The ISSB released draft frameworks in 2022. We gave the Board direct feedback during the review process for the draft, after considering the frameworks in detail. In our comments, we advocated a wider definition of 'materiality'. This is the idea that ESG factors can affect the valuation of a company, and the notion that only certain aspects of ESG performance are directly relevant to a particular company.

Specifically, while generally supportive of efforts to standardise ESG data and reporting, we have doubts about the application of materiality that's exclusively based on enterprise value, an economic measure of the market value of a business.

"AS SUSTAINABLE INVESTING GROWS IN POPULARITY AND MORE PLAYERS IN THE FINANCIAL SYSTEM USE ESG DATA, PROBLEMS WITH THE DATA'S RELIABILITY ARE EMERGING."

To pursue our point, we co-signed a letter calling for better coordination between the bodies dealing with ESG standards and data. There have been significant efforts from numerous bodies: the ISSB, the US Securities and Exchange Commission and the European Financial Reporting Advisory Group, which is a private association set up by the European Commission. These all aim to address the need to change corporate reporting to include sustainability information. However, current draft standards and initiatives are not technically compatible in concepts, terminologies and standards of measurement (known in finance as 'metrics').

Investors and companies are calling for more reliable, standardised ESG data. The UN-backed Principles for Responsible Investment, the International Federation of Accountants and the World Business Council for Sustainable Development have organised a collective statement for investors to sign. This calls for technical compatibility between different sustainability disclosure requirements, and a coordinated approach between standard setters and policymakers. We've signed this statement.

RESPONSIBLE INVESTMENT PRINCIPLE 4

TRANSPARENCY

AS A PARTICIPANT IN FINANCIAL MARKETS, WE ARE COMMITTED TO BEING TRANSPARENT ABOUT OUR APPROACH TO RESPONSIBLE INVESTMENT. WE ACTIVELY REPORT ON THE PROGRESS OF OUR RESPONSIBLE INVESTMENT ACTIVITIES TO OUR CLIENTS, SHAREHOLDERS AND OTHER STAKEHOLDERS.

See our forever chemicals case study on p.33

TRANSPARENCY

Our commitment to transparency includes:

– our disclosure of voting and engagement activities

– our submissions to external benchmarks.

In voting disclosure, we're proud of our work in providing access to our voting record in real time (see ShareAction's "Voting Matters 2022: Charity Spotlight Report", January 2023). Having successfully launched this for Rathbones Investment Management in 2022, we recently launched a vote disclosure service for Rathbone Unit Trust Management. These two vote disclosure services are now further enhanced through the inclusion of a rationale for every vote issued against management wishes. This allows all stakeholders to see clearly not just what we did, but why.

We make it a priority to submit to external performance benchmarks. These include:

- the United Nations-backed Principles for Responsible Investment
- the Financial Reporting Council's Stewardship Code 2020
- the ShareAction Global Responsible Investment Benchmark.

"WE'RE PROUD OF OUR WORK IN PROVIDING ACCESS TO OUR VOTING RECORD IN REAL TIME."

PRINCIPLES FOR RESPONSIBLE INVESTMENT

The Principles for Responsible Investment (PRI) is the name of six principles, backed by the United Nations, which investors voluntarily agree to meet. It's also the name of the body that assesses how investors are measuring up to the principles and encourages progress in meeting them.

We've been signatories of the PRI since 2009, submitting our performance for assessment at every opportunity.

The body known as the PRI made significant changes to their reporting methodology in 2021. Combined with a major technical failure in their reporting system, this led to a severe delay, with reporting cancelled in 2022. For this reason, we only have assessment data relating to where we were on our responsible investment journey back in 2020.

That said, we share the full scorecard, despite its age, because of our commitment to transparency. As a wealth manager, Rathbones looks after thousands of investment portfolios for private clients. This means that any score will reflect the many different investment approaches that different investment managers take on their clients' behalf after reflecting their priorities and preferences. Scores reflect the PRI's assessment of signatories' responsible investment implementation in their investment processes. Our recent scores capture a snapshot of the wider business in 2020. However, we believe we've made significant progress in developing our ESG integration processes during the intervening years, although we recognise there is always more to do, including refining processes. We expect to be able to demonstrate significant progress in the 2023 scores.

Rathbones' fixed income team have been pioneers in ethical investment for many years. Unfortunately, due to administrative difficulties at the PRI, some mistakes were made in the scoring of the fixed income submission. As a result the numbers shown are inaccurate. These problems have been acknowledged by the PRI. However, as results for the period had already been published, they're unable to make the appropriate upward revision to the score.

THE SIX PRINCIPLES ARE:

1. We will incorporate ESG issues into investment analysis and decision-making processes.
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
4. We will promote acceptance and implementation of the Principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the Principles.
6. We will each report on our activities and progress towards implementing the Principles.

SUMMARY SCORECARD

MODULE SCORE OUT OF FIVE STARS	AUM COVERAGE[1]	SCORE IN DETAIL
Investment & Stewardship Policy ★★★★☆		72%
Direct - Listed equity - Active fundamental - incorporation ★★☆☆☆	>50%	37%
Direct - Listed equity - Investment trusts - incorporation ★★☆☆☆	>=10 and <=50%	27%
Direct - Listed equity - Passive - incorporation ★☆☆☆☆	<10%	2%
Direct - Listed equity - Active fundamental - voting ★★★★☆	>50%	80%
Direct - Listed equity - Investment trusts - voting ★★★★☆	>=10 and <=50%	80%
Direct - Fixed income - SSA ★★☆☆☆	<10%	28%
Direct - Fixed income - Corporate ★★☆☆☆	>=10 and <=50%	29%

1. Percentage of Rathbones' assets under management for this category which we submitted for PRI scoring.

GLOSSARY

TERM	DEFINITION
CLIMATE ACTION 100+	A global investor coalition engaging with the world's largest corporate greenhouse gas emitters to take necessary action on climate change.
COLLECTIVE	An investment vehicle, such as an investment trust, composed of a pool of different investments.
CORPORATE GOVERNANCE	The system of rules, practices and processes by which a company is directed and controlled.
DECARBONISATION	The process of reducing carbon emissions.
ECOSYSTEM	The services supplied by the natural world that provide the foundations for economic growth, human health and prosperity. Examples are food, water and pollination.
EMBEDDED EMISSIONS	The emissions associated with an investment company's investments. For example, if Rathbones had a 1% share of a company with 20 million metric tons of CO2 emissions, Rathbones' embedded emissions from that investment would be 0.2 million tons.
ENGAGEMENT	Using our voice with companies, industry bodies and policymakers to address ESG issues of concern, improve ESG practices and disclosure, and bring about positive change. It includes many approaches, such as meetings with senior management, public statements, collaboration with other investors and tabling or voting on resolutions at company annual general meetings.
ESG	ESG is a widely accepted shorthand term - in full, environmental, social and governance - that seeks to express the categories of non-financial yet material risk that must be managed by companies in client and fund portfolios. Originally an adjective but increasingly used as a noun too.
ETHICAL INVESTMENT	Investment that excludes or promotes investment in certain activities based on personal or corporate values.
IMPACT INVESTMENT	Investment with the intention to generate a measurable, beneficial social or environmental impact alongside a financial return.
INVESTMENT UNIVERSE	The pool of investments from which investors make selections. For example, some investors may restrict themselves to the universe of larger companies or of UK stocks.
MATERIALITY	Both the idea that ESG factors can affect the valuation of a company, and the notion that only certain aspects of ESG performance are directly relevant to a particular company. For example, biodiversity is more material to a global agribusiness, which could suffer consumer and investor boycotts for sourcing beef from pastureland created by destroying rainforest, than to an IT services company.
METRICS	Systems and standards of measurement. For example, one metric to gauge how well a company treats its workforce is the employee turnover rate - particularly compared with competitors.
MODERN SLAVERY	The UK Government defines modern slavery as the recruitment, movement, harbouring or receiving of children, women or men through the use of force, coercion, abuse of vulnerability, deception or other means for the purpose of exploitation.
NON-EXECUTIVE DIRECTOR (NED)	A board member not involved in a day-to-day management role at the company.

FURTHER INFORMATION / GLOSSARY CONTINUED

TERM	DEFINITION
PARKER REVIEW	Sir John Parker, a company director, was appointed by the UK government to improve ethnic diversity on the boards of businesses listed in the UK. The review set a target for all FTSE 100 boards to have at least one non-white director by the end of 2021, and for all FTSE 250 boards to have one by the end of 2024.
PRINCIPLES FOR RESPONSIBLE INVESTMENT (PRI)	A global initiative, backed by the United Nations, committed to advancing responsible investment through six aspirational principles.
PROXY VOTING	Voting on resolutions at company meetings by a party appointed by the underlying investor, such as an investment manager.
REAL ZERO	When zero emissions are created or released. It suggests that total emissions of a business have reached zero through a reduction of emitting practices, carbon removal and avoided emissions.
RESPONSIBLE INVESTMENT	The integration of environmental, social and corporate governance considerations into investment decisions and active ownership practices.
RESOLUTION	An item of business at a meeting of shareholders. A resolution is a formal decision taken at a meeting by means of a vote. Resolutions are usually proposed by the company, according to local regulatory requirements. However, a minority are proposed, or 'tabled', by shareholders (see below for 'shareholder resolution').
SCOPE 1, 2 AND 3 EMISSIONS	Defined by the Greenhouse Gas Protocol, the scopes are measures of the carbon emissions of companies, often known as their carbon footprint. Scope 1 emissions are generated directly by the business (e.g. its facilities and vehicles). Scope 2 covers emissions caused by something a company uses, such as electricity. Scope 3 is notoriously hard to measure but covers other emissions for which a company is responsible. This includes business travel, emissions generated when its products are used, and emissions generated by its investments.
SHAREHOLDER RESOLUTION	A proposal submitted by shareholders to the management of a publicly listed company. Shareholders vote to accept or reject it at the annual general meeting.
STEWARDSHIP CODE	A set of principles for institutional investors developed by the Financial Reporting Council (FRC), an independent regulator in the UK and Ireland. In the FRC's words, the Code "sets high stewardship standards for those investing money on behalf of UK savers and pensioners, and those that support them." Institutional investors must meet certain standards before the FRC allows them to become signatories.
STRANDED ASSETS	Stranded assets are those that suffer devaluation or writedowns because they prematurely reach the end of their useful life. This can be caused by a variety of factors, such as shifts in the demand for fossil fuels or regulation in response to climate change.
SUSTAINABLE DEVELOPMENT GOALS	A set of 17 goals set out by the United Nations, which are designed to make life better for people without harming the ability of future generations to meet their needs. That includes not damaging the planet. Each goal contains a number of targets. For example, Goal 3 is Good Health and Well-Being, and Target 3.b is to create vaccines and medicines for developing country diseases and to make essential medicines and vaccines affordable.

FURTHER INFORMATION

IMPORTANT INFORMATION

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We are covered by the Financial Services Compensation Scheme. The FSCS can pay compensation to investors if a bank is unable to meet its financial obligations.

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