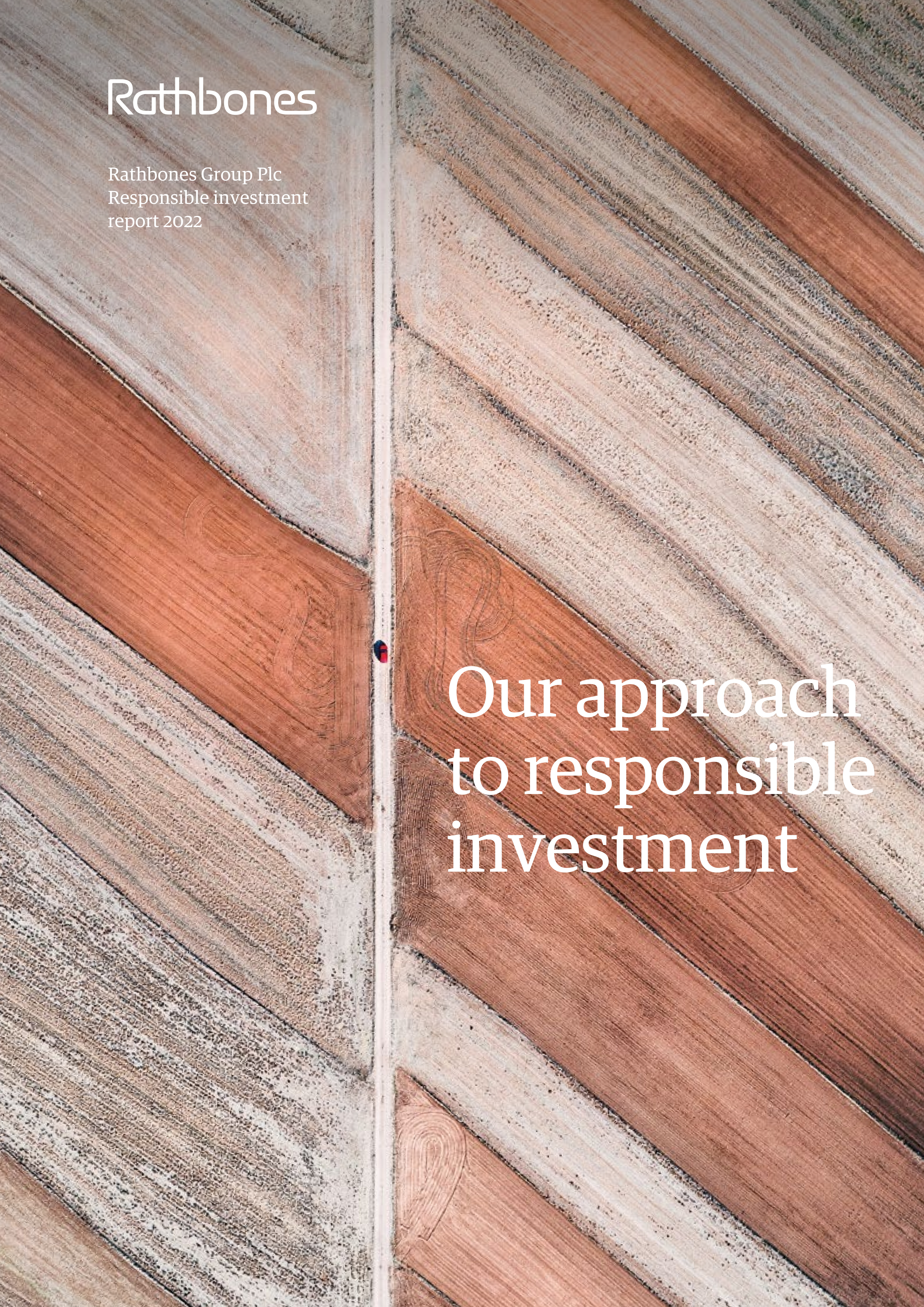


Rathbones

Rathbones Group Plc
Responsible investment
report 2022

Our approach to responsible investment

Welcome to the 2022 Responsible investment report.

We aim to lead the UK wealth sector by adopting an intelligent and active approach to responsible investment that takes a holistic view of investment opportunity and risk. We are evolving our investment approach to give full consideration to the relevant environmental, social and governance (ESG) factors.

Being leaders in responsible investment will allow us to provide clients with new investment opportunities, identify high-quality investments and contribute to solving the problems facing society.

Overview

ESG integration

Voting with purpose

Engagement with consequences

Transparency

Foreword from our group chief executive

"We see it as our responsibility to invest for everyone's tomorrow. That means doing the right thing for our clients and for others too. Keeping the future in mind when we make decisions today. Looking beyond the short term for the most sustainable outcome. This is how we build enduring value for our clients, make a wider contribution to society and create a lasting legacy. Thinking, acting and investing responsibly."

Responsible investment is a priority at Rathbones and the very concept is aligned with our heritage, purpose and values. Our commitment is longstanding as we have operated a dedicated ethical and sustainable business unit in Rathbone Greenbank (Greenbank) since 2004. Greenbank has ethically screened portfolios since the 1990s. Our first formal commitment as a firm dates back to 2009 when we signed up to the UN-backed Principles for Responsible Investment (PRI) and we have continued to develop our approach, formalising our intentions in this area in 2018 by setting our group purpose to "think, act and invest responsibly". To us it is not only how we invest, but also how our employees learn and behave, and how we act as a FTSE 250 listed group.

This year's report covers another busy year of activity at Rathbones. In 2021 we invested significantly in the core processes that support our responsible investment policy, and have materially expanded the scope of how we embed ESG factors into our day-to-day investment choices. Building on a growing reputation for our active ownership activity in particular, I was delighted that Rathbones' approach to responsible investment was recognised by the FT and Investors' Chronicle Celebration of Investment Awards in 2021. This external recognition follows a lot of hard work, and places us very favourably among other companies nominated by readers and journalists from the Investors' Chronicle and the Financial Times.

The Rathbones Group won three awards in the FT Investors' Chronicle Celebration of Investment Awards:

- ESG Champion of the Year (outright winner);
- ESG Champion - Governance (outright winner);
- and ESG Champion - Protecting the Planet (Highly Commended).

We were also shortlisted for ESG Champion - Community.

As you will recognise, responsible investment is a dynamic, living thing and we will continue to grow and nurture our capability. I hope that this report goes some way to demonstrate the impact of the more recent decisions and activities we have undertaken on your behalf, and that you find the following pages insightful into the many ways in which we are seeking to make a difference and put our values into practice.

Paul Stockton
Group Chief Executive Officer

Rathbones: Purpose, values and culture

We believe that thinking, acting and investing responsibly benefits our clients, the companies in which we invest, and wider society.

Our investment beliefs

As a wealth manager, we have a fiduciary responsibility to our clients: investing on their behalf so that they can achieve their long-term goals. We see it as our responsibility to be good, long-term stewards of our clients' wealth.

We recognise that the environment, society and financial stability are all connected. We believe it is in the best interests of our clients that the companies and securities we invest in adopt best practice in managing ESG risks. This provides each company with a framework for managing its operations in the long-term interests of its shareholders, including our clients.

We believe that thinking, acting and investing responsibly benefits our clients, the companies in which we invest and wider society.

What we do

Thinking, acting and investing responsibly not only shapes what we do but how we do it. It is woven into our business strategy and values and is core to our day-to-day decision making. Together with a long-term focus, we are able to deliver good financial outcomes, create value for our clients and at the same time make a positive contribution to society.

We have put in place a responsible business framework, which provides the blueprint for driving long-term, sustainable value for our broader stakeholders. Within this framework, the responsible business committee, which is chaired by the group chief executive, provides high-level direction and oversight to Rathbones group policy in relation to responsible investment, climate change and direct operational risks.

It is this responsible investment policy that guides the ongoing development and enhancement of our investment process and stewardship approach.

Stewardship

Stewardship is defined by the Financial Reporting Council (FRC) as:

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

The concepts of investor stewardship have a high degree of overlap with those of responsible investment. Rathbones has operated under a formal stewardship policy for many years, with the latest group-wide responsible investment policy reviewed and approved in 2020.

Rathbones is a signatory of The UK Stewardship Code 2020, which "sets high stewardship standards for those investing money on behalf of UK savers and pensioners, and those that support them" . The Code comprises a set of 12 'apply and explain' principles for asset managers and asset owners, and a separate set of six principles for service providers .

In attaining our signatory status in March 2022, we were commended by the FRC for our governance arrangements and resourcing of stewardship activities. Compliance with the Code is not intended to be static, however, and we are continually seeking to improve our practice and reporting in this area.

Signatory of:
STEWARDSHIP CODE | 2021

Rathbones responsible investment report executive summary

Responsible investment policy

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

ESG integration

We consider environmental, social and governance (ESG) factors in the evaluation of investments, to help identify ESG opportunities and risks.

- Integrating environmental, social and governance (ESG) in the evaluation of investments to help identify opportunities and risks is a core part of our commitments to the UN-backed Principles of Responsible Investment (PRI)
- Our dedicated research team have access to a wide range of ESG data sources and qualitative information to identify relevant factors and how they might relate to investments
- We also invest in ongoing thematic research that seeks to identify drivers and enablers of change and to assist with joining up macro, micro and potential sustainability-led thematic insights, identify investment opportunities and highlight risks
- In 2021 we trained 350 of our investment professionals in aspects of ESG, equipping them with the knowledge and understanding of ESG factors and the potential impact on investments

Voting with purpose

We actively vote across over 95% of the value of our holdings in line with our responsible investment commitments. This may involve voting against management to help drive positive change.

Rathbone Investment Management:

- We voted on 9,348 resolutions in 2021, at 748 company meetings - an almost 40% increase in meetings from 2020, reflecting our commitment to voting activity on at least 95% of votable assets
- Good governance is a pre-requisite for any company to be considered for inclusion in our portfolios. The majority of our votes in 2021 were in favour of management proposals
- In 2021 we voted against management 538 times, up from 299 in the previous year. This general increase is less an indication of declining management quality as it is a sign of increased activism on ESG by investors
- Director re-election resolutions saw the largest increase in votes against management - up from 91 instances in 2020 to 236 in 2021 - due to improvements in our voting policy whereby concerns we have with specific companies on ESG issues were escalated to voting on election/re-election resolutions of a committee or board chair
- Environmental and social themed votes were also up in the year, making up 15% of our votes against management in 2021 - this signifies support for a more progressive approach to the management of ESG risks
- Executive pay remains a recurring issue

Rathbone Unit Trust Management:

- We voted in 6,366 resolutions at 480 company meetings
- The majority of votes against management were due to director-related issues (37%), and executive pay issues (27%) followed by environmental and social issues (15%)

Engagement with consequences

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

- Selecting and prioritising engagement topics and targets are essential in meeting our stewardship responsibilities - we therefore consider:
  - Exposure - our stake in the company
  - Severity - immediate or severe threats to the best interests of our clients
  - Location - prioritising where we have an understanding of the local legal framework
  - Expertise - our knowledge and experience of a company of issue
- Our headline collaborative engagements include: PRI, IIGCC / CA100+, Find it, Fix it, Prevent it and Votes Against Slavery
- Engagement plays a significant part of the Rathbones group's commitment to become a net zero investor, and to achieve net zero across the wider business by 2050 or sooner

Focus for 2022:

- Net zero strategy: begin a multi-year engagement strategy on net zero transitioning plans with a limited group of priority companies with the aim of encouraging them to commit to considering climate change when preparing their financial statements
- Governance priorities: ESG and pay - our 2022 target is to engage with 34 FTSE 100 companies that have failed to include an ESG measure in executive remuneration
- Social priorities: Votes Against Slavery - engage with all identified laggards in 2022 and see compliance at 90% of targeted companies
- Gender and racial diversity of FTSE 350 boards - ensure that women make up at least one-third of the board on FTSE 350 companies in which we invest by the time of the AGM. Ensure the entire boards at each of the FTSE 100 companies in which we invest have at least one non-white director by the time of the AGM
- Biodiversity - assess biodiversity risk across portfolio holdings, in line with a science-based approach, to identify priority companies and sectors for future engagement

Transparency

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

- In 2021 we launched the disclosure service for Rathbone Investment Management, giving access to all our voting records - from summary level voting statistics to voting records for specific companies. A similar site will be launched for Rathbone Unit Trust Management in 2022
- As well as our annual responsible investment reporting, in 2021 we began including regular reporting in all of our client packs, with more details continuing to be available on request

Signatory of:

PRI Principles for Responsible Investment

Our four core principles work in line with the six UN-backed Principles for Responsible Investment (PRI) to which we have been signatories since 2009:

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

What are the Principles for Responsible Investment?
PRI Web Page | PRI (unpri.org)

An overview of responsible investment at Rathbones

Continuous development and application of responsible investment

We have continued to invest in our responsible investment proposition across all business areas. In tandem with this, we have also expanded our stewardship approach so that ESG integration more fully covers the investments we hold on behalf of our clients - be they direct equities, direct fixed income or fund holdings.

The overarching responsible investment principles are consistent and resources complementary across business areas, for example leveraging information and data and collaborating in our engagement activity. The application of the integration approach is also tailored to fit the relevant investment service or mandate so the investment manager or fund manager is accountable for interpreting ESG and stewardship information to inform investment decisions in the context of the mandate or client objective.

Rathbones provides individual investment and wealth management services for private clients, charities, trustees and professional partners.

Rathbone Investment Management	£55.2 billion
Rathbone Unit Trust Management	£13 billion

Source: Fuma update and notice of results

Rathbone Investment Management

We provide individual investment and wealth management solutions for private clients, charities, trustees and professional partners. Our investment managers seek to understand each client's situation and objectives. Once this has been achieved, they will propose an investment strategy that is tailored to the client's needs. When constructing client portfolios our investment managers draw on recommendations and guidance from our investment committees. It is at these committees where the insights and expertise of our financial analysts and investment managers, as well as those of our stewardship and engagement specialists and ESG integration and data analysts, are pooled.

Members of the stewardship team periodically attend the equity committees to ensure that ESG factors and risks are adequately represented in discussions, a process supported by ongoing ESG training for all professional staff. Our goal is to facilitate informed judgements that are genuinely useful for investment decisions and to incorporate this analysis into our investment committee recommendations and ongoing portfolio management activities.

Rathbone Greenbank Investments

Sitting within Rathbone Investment Management, Rathbone Greenbank Investments (Greenbank) has been an early adopter of responsible investing and has been creating bespoke ethical, sustainable and impact portfolios for clients for over 20 years. Where clients have particular responsible investment preferences or enhanced ESG requirements, Greenbank has specialist expertise to service those needs. Greenbank provides a wide range of impact and sustainable investment solutions across asset classes for private clients, trustees and professional intermediaries.

Rathbone Unit Trust Management

Rathbone Unit Trust Management is a UK active fund manager, providing a range of specialist and multi-asset funds that are designed to meet core investment needs in the retail client market. These funds are distributed primarily through financial advisers in the UK. ESG information and metrics have been integrated into our fund managers' individual investment processes to support their investment decisions. These are, in turn, scrutinised by the chief investment officer (CIO) at regular challenge meetings. Here the rationale for investments with adverse ESG factors are reviewed.

Rathbone Unit Trust Management offers access to sustainable investments through the following means:

- The Rathbone Ethical Bond Fund: Rathbone Unit Trust Management's ethical fixed income offering, which benefits from an extra level of investment due diligence through the ethical research carried out by Greenbank
- The Rathbone Greenbank Global Sustainability Fund: Rathbone Unit Trust Management"s ethical equity offering, which builds on Rathbone's strong heritage in ethical and sustainable investment. Greenbank provides significant capability in terms of ethical and sustainable research and is an integral part of the investment process
- The Rathbone Greenbank Multi-Asset Portfolios: A fund range which includes four risk-rated, outcome-targeted, sustainable investment funds for investors who do not want to compromise between their values and financial objectives.

ESG information and metrics have been integrated into our fund managers' individual investment processes to support their investment decisions.

Our stewardship team

Matt Crossman

Stewardship Director

Matt Crossman is Rathbones' stewardship director. He is responsible for the oversight of Rathbones' responsible investment policy, proxy voting and engagement on governance issues.

Matt is a graduate of the University of Bristol where he studied law, with a particular interest in the administration of environmental law. He also has postgraduate qualifications in sustainable development and has over 18 years' experience in responsible investment theory and practice.

Archie Pearson

ESG and Voting Analyst

Archie Pearson joined Rathbones in 2018 as a voting and governance analyst. He supports the stewardship team, ensuring informed proxy voting and corporate engagement activities as part of Rathbones' stewardship policies, and helping to promote the integration of ESG within the investment process.

Prior to Rathbones, Archie worked for the UK & Ireland office of Oikocredit. During his time there, he worked as a client executive, tasked with generating capital from individuals and institutions. Archie graduated from the University of Edinburgh with a Masters in Theology in 2015.

Andrea Marandino

ESG and Stewardship Analyst

Andrea Marandino joined Rathbones as an ESG and stewardship analyst in August 2020. Prior to that, she was a sustainable finance and corporate risk manager at WWF-UK, and a senior policy advisor on low carbon finance at E3G. She is also a guest lecturer on corporate governance at Birkbeck College, University of London. Andrea has a background in Economics (BA), European Politics (MA), and Corporate Governance and Ethics with a focus on environmental issues (MSc).

Kazuki Shaw

Junior ESG Analyst

Kazuki Shaw joined Rathbones as a junior ESG analyst in January 2021 to assist with proxy voting and corporate engagement activities, as well as the promotion of ESG integration within the investment process.

Prior to joining Rathbones, Kazuki had roles on an equity trading desk at Credit Suisse in Tokyo, and on a fixed income futures trading desk at HSBC in London. Kazuki has a BA in Oriental Studies from the University of Oxford, and passed the CFA Level 1 exam in July 2021.

Responsible investment principle 1:

ESG integration

"We consider environmental, social and governance (ESG) factors in the evaluation of investments, to help identify ESG opportunities and risks."

Integrating ESG into our investment process and ownership activities is a core principle of our responsible investment policy, and the main element of our commitment to the PRI.

Our goal is to make informed judgements and incorporate these into our recommendations and investment decisions. We seek to understand not only what a company does, but how it delivers and the potential impact on a broad range of issues.

By understanding the specific issues, we can identify how best to add value, either through ongoing engagement or by exiting and identifying substitute investments.

In addition to the core research undertaken by our analysts, we use third-party vendor data and tools to support our analysis, assessment and reporting activities. We source ESG data from a number of vendors, including the following:

- MSCI
- Morningstar/Sustainalytics
- Fitch
- S&P
- SASB

The Rathbones' research team therefore has access to a wide range of ESG data sources and qualitative information to assist with identifying relevant ESG factors and analysing how these relate to the investment universe.

In line with this, ESG drivers are included in investment research recommendations as part of the summary and investment case. Analysts summarise their findings within security recommendations by explaining how material ESG influences, along with a range of different scenarios and any mitigating factors, may impact the investment thesis. The investment committees then use this analysis to inform recommendation decisions and, where relevant, to identify opportunities to create value through further engagement with the relevant company.

This work is supported by ongoing thematic research that seeks to identify drivers and enablers of change and to assist with joining up macro, micro and potential sustainability-led thematic insights, identify investment opportunities and highlight risks. This work also feeds into the security selection process.

Our ESG integration approach

ESG integration
- ESG factors weighed alongside financial factors and reflected in recommendations
- Focus on material value and risk drivers
- Engagement with management teams about ESG and corporate strategy
- Ongoing monitoring

Stewardship, voting and engagement
- Engagement themes and advocacy
- Engagement with boards
- Sustainability assessment
- Alignment with sustainable development goals
- Governance and voting

Our ESG integration approach

ESG data and sustainability analytics
- Financial and sustainability materiality mapping
- Controversy and sustainability risk monitoring
- Carbon, climate scenario and sustainability reporting
- Business involvement and group exclusions

Greenbank ethical, sustainable and impact research
- Ethical screening
- Advocacy and engagement
- Sustainability and impact assessment
- Alignment with sustainable development goals

Our analysts aim to identify the material ESG risks and opportunities that may impact investments and understand how these link to different financial and value drivers.

To support the security selection process, our research team has created a bespoke database of ESG risk data. This is comprised of vendor data, engagement and voting information, materiality information, financial analysis and other specialised analysis which allows us to form an in-depth view of a security. In addition to this supplementary data allows us to develop absolute and relative views for comparison against other holdings within a portfolio and within sectors or industries.

We are also using all the information available to us to develop ESG materiality frameworks for different sectors and individual investments. We have also enhanced the due diligence questionnaires that form a vital part of our fund selection process in order to better understand how advanced external asset managers are in their approach to responsible investment and how this translates to their investment process in practice. Using these data sources, our analysts aim to identify the material ESG risks and opportunities that may impact investments and understand how these link to different financial and value drivers.

We are also in the process of developing a bespoke framework which allows us to evaluate the importance of ESG factors on a relative basis: for example, strong governance may be a predictive indicator of current and future higher environmental and/or social scoring.

Number of employees who completed the CISI Sustainable and Responsible Investment Professional Assessment

Investment managers and directors	221	60%
Other employees	147	40%

Responsible investment principle 2:

Voting with purpose

"We actively vote across over 95% of the value of our holdings in line with our responsible investment committee. This may involve voting against management to help drive positive change."

Rathbones voting policy

As proponents of responsible investing, we aim to lead by example, act with integrity and promote the desired culture within our investee companies. We believe it is in the best interests of our clients that the companies in which we invest adopt best practice in ESG risk management and, through our voting activities, we will:

– be long-term stewards for a more sustainable world
– protect returns
– ensure ESG integration across investments.

The voting sub-committee of the responsible investment committee is responsible for developing and maintaining a bespoke voting policy, which is compliant with, and inspired by, the provisions of the UK Corporate Governance Code (which covers UK companies), building on established best practice. We have developed bespoke voting policies for our UK equities, our international holdings, and, since 2020, we have operated a defined collectives voting policy, which is in line with the AIC Code of Corporate Governance, to cover our voting on investment trusts.

To ensure that our policy remains fit for purpose, we review it against benchmark standards and principles, and update it accordingly on an annual basis.

Whilst the core principles of corporate governance are relatively well established, we observe emerging trends in this area. So that our policy remains fit for purpose, we ensure that it is reviewed against benchmark standards and principles and updated accordingly on an annual basis.

As a result of the 2021 review, we have taken firmer stances on a number of issues, including:

– ethnic diversity at board level
– treatment of climate risks in audited financial reports
– ESG metrics linked to variable pay

Our bespoke policy applies to our Rathbone Investment Management voting activities. It builds on a sustainability-themed default product provided by our proxy voting consultant, which ensures that the broader concept of environmental and social sustainability is integrated into our bespoke policy.

Primary ESG goals, as expressed in our voting policy, are to encourage boards to:

– adopt clear values and standards in business dealings throughout the organisation
– develop a culture of transparency and accountability
– focus on strategic issues and the quality of the business rather than simply short-term performance
– develop appropriate checks and balances to deal with conflicts of interests
– maintain effective systems of internal control and risk management
– create fair remuneration structures that reward the achievement of business objectives at all levels
– recognise and responsibly manage impacts on all stakeholders.

In order for these goals to be delivered, we believe that boards should demonstrate the following key features:

– be led by an independent chair
– the chair and the CEO roles should be separate and not exercised by the same individual
– the board and its committees should retain the requisite balance of skills, experience, knowledge and independence, including an adequate level of gender diversity
– develop clear and fair remuneration arrangements which incentivise shared value creation
– for larger companies, at least half of the board should be composed of non-executive directors considered to be independent.

Case study

JD Sports Fashion

Issue

At the 2020 JD Sports Fashion AGM, the resolution to re-elect non-executive director Andrew Leslie was opposed by 18.1% of shareholders. In addition to being deemed non-independent due to his length of tenure on the board, Mr Leslie also held the position of chair of the remuneration committee and sat on the audit committee. By the time of the 2021 AGM, Mr Leslie had been on the board for 11 years but still maintained his roles on these crucial committees. In line with UK best practice, we expect these key committees to be formed of independent directors who are free from potential conflicts of interest. We felt that having a non-independent chair on the remuneration committee and a non-independent director on the audit committee posed a significant operational risk to shareholders.

Process

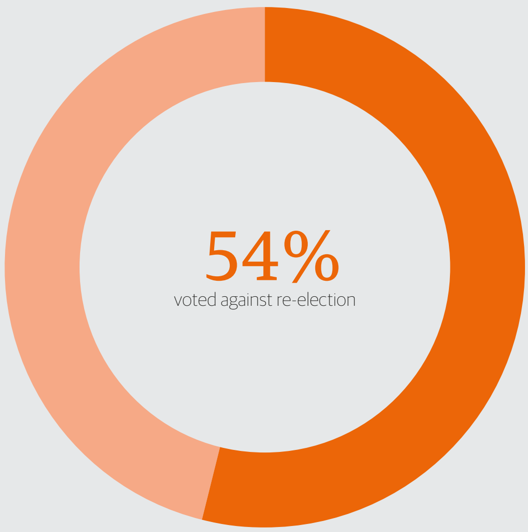
We discussed this issue with the largest holders of JD Sports within Rathbones and decided to vote against the re-election of Mr Leslie at the 2021 AGM. Although we noted the board's explanation that Mr Leslie was deemed sufficiently independent and effective, we felt it was concerning that the board had not improved the level of independence on these committees.

Outcome

54% of independent shareholders voted against Mr Leslie's re-election, the highest level of opposition seen with regards to the re-election of a director at a premium listed UK company - it is extremely rare to see a director in the UK receive majority opposition to his / her re-election.

'We felt it was concerning that the board had not improved the level of independence by appointing three new independent non-executive directors'

As Mr Leslie did not receive the requisite number of votes from the independent shareholders, he was not re-elected to the board. We had a meeting with the company's investor relations team to discuss the results of the AGM and the importance of fully independent committees and improved independence on the board. In the months preceding the AGM, the board sought to improve the level of independence by appointing three new independent non-executive directors to the board.



Case study

Microsoft

Issue

Despite contributing positively to a number of ESG megatrends, Microsoft has suffered in recent years from a growing number of allegations of sexual harassment and gender discrimination, including a lawsuit alleging that the company systematically denied pay rises or promotions to female employees. This follows the move to step down from the board in 2020 by Microsoft's co-founder Bill Gates, following allegations of inappropriate behaviour with a female employee 20 years earlier. The company is at risk of severe reputational and legal damage as a result of these controversies. Microsoft has since conducted internal investigations into sexual harassment and gender discrimination allegations; however, the company has failed to disclose to shareholders the findings from the investigations.

Process

We decided to support a shareholder resolution filed by a fellow investor requesting that the board provide a report assessing the effectiveness of the company's workplace sexual harassment policies. We felt additional information on the effectiveness of Microsoft's sexual harassment and gender discrimination policies would allow shareholders to better assess how the company is addressing associated risks. In addition to this, improved information on how Microsoft was tackling allegations of sexual harassment cases throughout the company would also demonstrate to shareholders that the board is taking this issue seriously.

In the US, any shareholder resolution that gains support of more than

50%

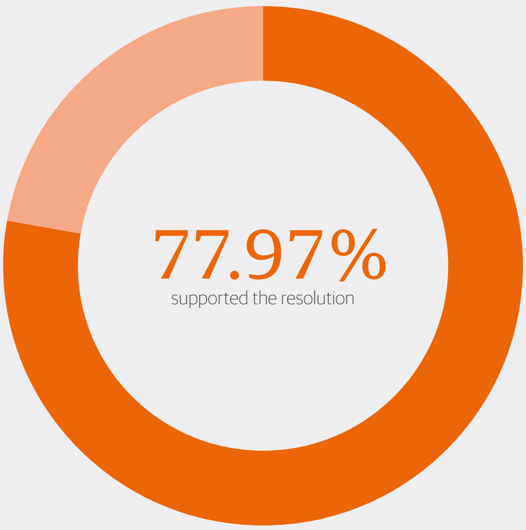
is passed

Outcome

The resolution passed with shareholder support of 77.97%. It is encouraging to see a shareholder resolution gain this level of support in the US. We believe that this could lead to similar resolutions being raised at other large US tech companies.

We felt additional information on the effectiveness of Microsoft's sexual harassment and gender discrimination policies would allow shareholders better assess how the company is addressing associated risks.

Although the resolution gained majority support, the company does not technically have to make any changes under US corporate governance guidelines. However, in January 2022, Microsoft committed to reviewing the effectiveness of its sexual harassment and gender discrimination policies and practices. We will wait to see the outcomes of this review and plan our next steps accordingly.



2021 Rathbone Investment Management voting review

In 2021, we voted on 9,348 resolutions at 748 company meetings (2020: 7,245 resolutions at 532 company meetings).

The increase reflects our commitment to voting activity on at least 95% of votable assets by value each year. We regard the increase as evidence of our commitment to the sound stewardship of our clients' assets. In Rathbone Investment Management, the voting decision is facilitated by the stewardship team in conjunction with the top holders of a security and the relevant research analyst.

Since best practice now requires boards of directors to be re-elected annually, the majority of these resolutions concern board elections. However, they also cover important issues such as executive pay, the appointment of the company's auditors and approaches to managing ESG risk. The number of meetings can vary each year due to a number of factors, not least the level of merger and acquisition activity. Whilst voting takes place all year round, there is a pronounced busy season spanning from April to July.

While the votes in favour of company management may seem high, it is important to note that good governance is a pre-requisite for any company to be considered for inclusion in our portfolios. As a result, those companies where we have severe concerns over corporate governance would not be considered for investment in the first place. Hence, the worst examples never actually come to a vote.

In addition, the data concerns the total number of resolutions voted. It is now best practice for UK companies to seek annual re-election for their boards with each board member covered by an individual resolution. These board election resolutions are in addition to the agenda items on remuneration and other standard items. Although arrangements vary across different locations, the agenda of most companies include around 20 resolutions, of which the majority are routine.

Resolutions voted on in 2021

9,348

748
company meetings in 2021

532
company meetings in 2020

386
company meetings in 2019

Proposal overview

Category	Number	Percentage
Votes FOR	9,008	96.36%
Votes AGAINST	254	2.72%
Votes ABSTAIN	178	1.90%
Votes WITHHOLD	28	0.30%
Votes WITH management	8,897	95.18%
Votes AGAINST management	538	5.76%
Votes on shareholder proposals	197	2.11%

Note: The data provided are in summary form for general information about voting trends and do not reflect the specific votes entered for a specific company. For example, given our status as a private client asset manager with very close links to our clients, it is entirely plausible (although not frequent) for us to enter three different votes for each votable item, or some combination of FOR, AGAINST and ABSTAIN. Hence the numbers of items voted FOR, AGAINST and ABSTAIN would not be expected to add up to the total number of resolutions on which we voted..

Reasons for votes against management

Anti-takeover related	3	1%
Audit related	11	2%
Capitalization	82	15%
Directors related	236	44%
Environmental & social	82	15%
Executive pay	92	17%
Mergers, acquisitions and takeovers	9	2%
Routine/business	23	4%

Failing to back management (whether through a vote against, an abstention or withholding a vote) is a relatively serious step and tends to occur only where dialogue has failed or serious concerns need to be raised. Where we vote against management, this tends to be centred on the make-up of the board followed by executive pay. Environmental and social issues are increasing however, with a notable feature of the 2021 voting season being the first routine 'say on climate' resolutions emerging at listed companies (see case studies on pages 15 and 16).

We voted against the election of board chairs of companies who had failed to respond to our engagements and maintained insufficient levels of board diversity between 2020 and 2021.

In 2021 we voted against management 538 times, up from 299 in the previous year. This general increase is less an indication of declining management quality than a sign of increased activism on ESG issues by investors.

Director re-election resolutions saw the largest increase in votes against management in the year - up from 91 instances in 2020 to 236 in 2021. This was down to improvements in our voting policy. We have addressed concerns with specific companies on ESG issues, by escalating to vote on the election/re-election resolution of a committee or board chair. For example, as an escalation technique, we voted against the election of board chairs of companies who had failed to respond to our engagements and maintained insufficient levels of board diversity between 2020 and 2021. We also saw a number of engagements reach a new phase of escalation, resulting in votes against entire boards.

Environmental and social themed votes were also up in the year. Here our votes against management signify support for a more progressive approach to the management of ESG risks. Executive pay remains a recurring issue for our voting. However, we noticed a greater degree of restraint from companies in the 2021 AGM season, presumably linked to clear expectations and increased scrutiny from society regarding pay levels during the pandemic.

Note: The data provided are in summary form for general information about voting trends and do not reflect the specific votes entered at a specific company. For example, given our status as a private client asset manager with very close links to our clients, it is entirely plausible (if not frequent) for us to enter three different votes for each votable item, or some combination of FOR / AGAINST / ABSTAIN. Hence the numbers of items voted FOR, AGAINST and ABSTAIN would not be expected to add up to the total number of resolutions on which we voted.

JPMorgan Chase

Issue

As UK based investors, we generally favour the roles of CEO and chair being separate, but appreciate that expectations in this area vary by region. We see an independent chair as the hallmark of good corporate governance and will push for such an arrangement at all companies in which we invest. It is our belief that JPMorgan Chase & Co and its shareholders could benefit in the long-term from the separation of these crucial roles. At the bank's 2020 AGM, Rathbones supported a shareholder resolution calling for an independent board chair. The resolution was narrowly defeated, gaining 41.7% support. The previous year had seen a similar resolution gain 37.9%.

Process

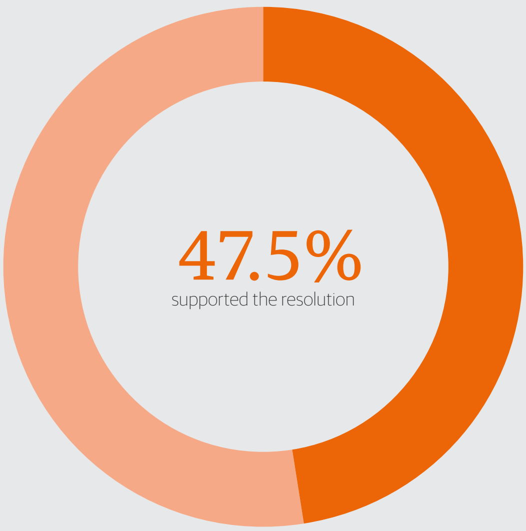
At JPMorgan's 2021 AGM, we decided to support the shareholder resolution put forward by John Chevedden, on behalf of shareholder activist, Kenneth Steiner. This called for the board to adopt a policy, and amend the bylaws as necessary, to require the chair, whenever possible, to be an independent member of the board. This policy could be phased in for the next CEO transition. We also supported several other shareholder resolutions that were put forward at the AGM requiring the board reduce the ownership threshold for shareholders to request action by written consent; report on a racial equity audit; and report on congruency of political analysis and electioneering expenditures.

> We see and independent chair as the hallmark of good corporate governance and will push for such an arrangement at all companies in which we invest.

Outcome

The resolution gained 47.5% support. Although a narrow defeat, this was one of the highest levels of support for a resolution calling for an independent chair that we saw during the US AGM season.

The growing level of support over the previous three years demonstrates to the board that shareholders remain deeply concerned with the arrangement and it is a matter that needs to be properly considered. We expect this resolution to be proposed again next year since it almost passed. We have yet to receive a detailed response from JPMorgan but we will be raising our concerns at our next meeting with the company.



Case study

Booking Holdings

Issue

We were concerned that Booking Holdings had failed to set quantitative, time-based greenhouse gas emissions targets and that the company lacked a plan to demonstrate that senior management is taking transition risks associated with climate change seriously. We noted that the company had not responded to the CDP's climate change questionnaire and did not disclose its climate-related disclosures according to task force on climate-related financial disclosures (TCFD) guidelines - formerly the Carbon Disclosure Project, CDP is an international non-profit organisation. In addition, in its Form 10-K, Booking Holdings did not include climate-related risks as a risk factor, even though there is the potential that future business travel could become more expensive due to climate regulations and increased fuel costs.

We wanted the company to set short, medium and long-term targets in alignment with the Paris Agreement, including Scope 3 emissions beyond just employees' business travel. Furthermore, once these targets have been set, we called for their validation by the Science Based Targets Initiative (SBTi) as a way to offer further reassurance to shareholders that net zero targets are credible, robust and science based.

While Booking Holdings states that a sustainability department was created in 2020, we requested further details on roles and responsibilities, particularly regarding the management of climate change risks and strategy. We felt the company had fallen behind its peers - most of its main peer technology companies have set greenhouse gas emissions reduction goals validated by the SBTi.

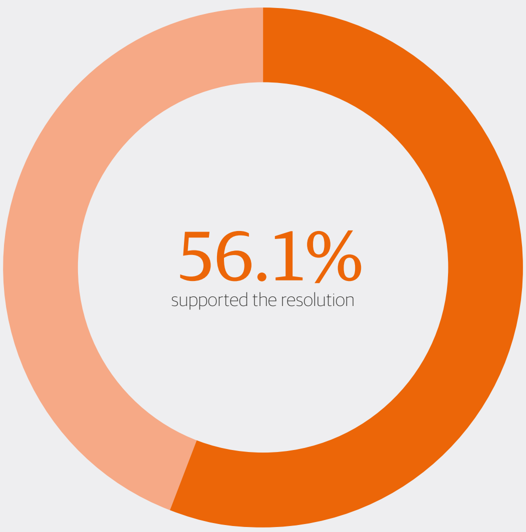
Process

We supported the shareholder resolution filed by As You Sow asking the board to issue a climate transition report and to update this annually. Climate-related events, and the assumptions companies make or fail to make about them, are likely to have a significant material impact on company investment strategies, cash flows, asset valuations and depreciation, among other issues. We therefore felt that shareholders would benefit from increased transparency with regard to this material and growing risk.

Outcome

The resolution passed at the company's AGM, gaining 56.1% support. We expect Booking Holdings to produce a climate transition report ahead of the 2022 AGM. This will align the company with widely accepted best practice among S&P 500 companies.

Furthermore, we believe this will reduce competitional, operational, reputational and legal risks. We will be looking to engage with the company at the earliest opportunity to get an update on how this report is progressing.



Case study

Netflix

Issue

We were concerned that Netflix provided no disclosure regarding its political contributions. As well as not disclosing information on amounts spent on political contributions or on dues to trade associations, the company does not provide a list of trade associations or other advocacy groups it may support. We feel there is a significant reputational risk to shareholders when companies fail to actively disclose their political contributions. We expect to see clear risk management and oversight of political contributions, both of which are absent at Netflix, so that shareholders can be confident that this is being appropriately managed by the company.

Process

We voted in favour of the shareholder proposal requesting that Netflix disclose more information about its political contributions in a report, updated semi-annually. This was the third proposal since 2019 which has called for improved transparency on the company's political contributions. We supported a similar resolution in 2020 which gained 41.9% support. We wanted the board to provide additional disclosure on Netflix's political contributions, trade association memberships and payments, as well as the company's oversight mechanisms which would allow shareholders to better assess related risks. We are always supportive of shareholder resolutions which call for improved transparency on a company's activities.

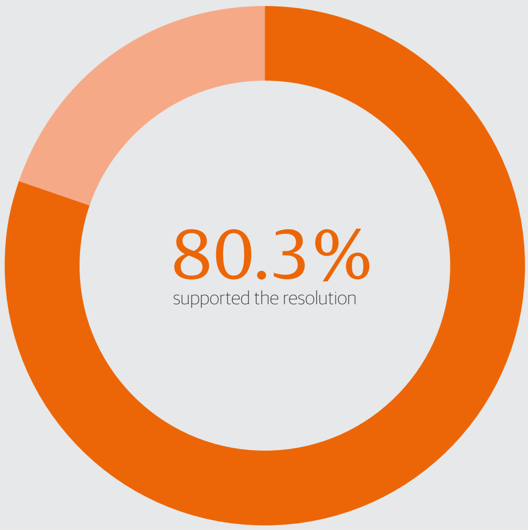
We feel there is a significant reputational risk to shareholders when companies fail to actively disclose their political contributions.

Outcome

The resolution gained an impressive 80.3% support, one of the highest levels of support for a shareholder resolution during the 2021 US AGM season. With almost double the level of support from the previous year, Netflix will be at significant risk of major votes against the re-election of the chair should it fail to act.

We expect to see clear risk management and oversight of political contributions, both of which are absent at Netflix

We will be monitoring the company's response and will raise this at the next meeting we have with Netflix.



2021 Rathbone Unit Trust Management voting review

Reasons for votes against management

Audit related	8	2%
Capitalization	45	13%
Directors related	133	37%
Environmental & social	55	15%
Executive pay	96	27%
Mergers, acquisitions and takeovers	2	1%
Routine/business	19	5%

In 2021, we voted on 6,366 resolutions at 480 company meetings (2020: 5,851 resolutions at 441 company meetings) across companies held in our funds business. Within Rathbone Unit Trust Management, voting covers all companies held in our nominee accounts where we have the legal power to execute votes.

Within Rathbone Unit Trust Management, the final voting decision is taken by the individual fund manager in question, with the decision-making process supported by the group's stewardship team, which implements a sustainability themed voting policy.

In 2021, we voted on 6,366 resolutions at 480 company meetings (2020: 5,851 resolutions at 441 company meetings) across companies held in our Rathbone Unit Trust Management funds.

With regard to environmental and social resolutions, management teams are typically against any suggestions of micro-management and very often encourage investors to vote against ESG-themed resolutions. As a result, with regard to the 55 environmental and social resolutions listed here, we voted against management by supporting the resolutions.

Proposal Overview

Category	Number	Percentage
Votes FOR	6,082	95.54%
Votes AGAINST	251	3.94%
Votes ABSTAIN	24	0.38%
Votes WITHHOLD	30	0.47%
Votes WITH management	6,030	94.72%
Votes AGAINST management	358	5.62%
Votes on shareholder proposals	142	2.23%

Note: The data provided are in summary form for general information about voting trends and do not reflect the specific votes entered at a specific company. For example, given our status as a private client asset manager with very close links to our clients, it is entirely plausible (although not frequent) for us to enter three different votes for each votable item, or some combination of FOR / AGAINST / ABSTAIN. Hence the numbers of items voted FOR, AGAINST and ABSTAIN would not be expected to add up to the total number of resolutions on which we voted.

Case study

Amazon

Issue

The Ellen MacArthur Foundation forecasts that, at the current rate of plastic production, there will be more plastic than fish in the ocean by 2050. Further studies suggest that the annual flow of plastic into the ocean will likely treble by 2040, unless new commitments are put in place.

Producing approximately 465 million tonnes of plastic waste per year, Amazon is believed to be one of the largest corporate users of flexible plastic packaging. The company is at risk of serious reputational damage if it fails to reduce the volumes of plastic packaging used in its operations. Amazon does not disclose the annual amount of plastic it uses, nor has it committed to any reductions in use. This makes it extremely difficult for shareholders and wider stakeholders to ascertain whether the company is making progress in this area. Of particular concern is that Amazon appears to be lagging its peers, many of whom have now set firm targets on reducing plastic packaging while also replacing this with alternative forms of packaging. For example, Walmart has now set a goal to reach 100% recyclable, reusable, or industrially compostable private-brand packaging by 2025.

Process

We supported the shareholder resolution co-filed by As You Sow and Green Century at the 2021 Amazon AGM which called on the company to provide a report on plastic packaging on an annual basis. This report would include estimates on the amount of plastics released to the environment due to plastic packaging attributable to all Amazon operations - from the manufacture of the plastic source materials, through to disposal or recycling. The report would also detail any company strategies or goals being adopted to reduce the use and impacts of plastic packaging. We discussed this resolution with the largest holders of Amazon within Rathbones and the voting committee and felt that this was a key area of concern for us and our shareholders..

Amazon produces approximately

465 m

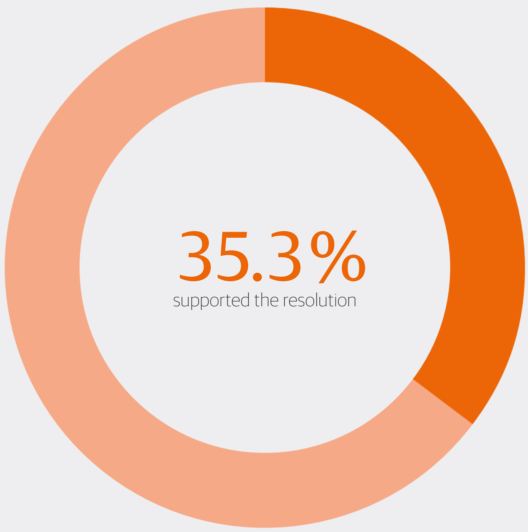
tonnes of plastic waste per year

Outcome

The resolution gained 35.3% support. This was considerably higher than we had been expecting and shows it is an area of concern for many shareholders. Amazon responded to our letter, listing the initiatives the company is running to reduce plastic waste. Amazon stated that, unlike their peers, a single plastics goal would not reflect the four primary areas of the company's efforts to reduce the use of plastics: (1) plastics in packaging for products manufactured by other companies that they sell to their customers (where they can make the biggest impact); (2) plastics in packaging to the extent they repackage a product for delivery; (3) plastics in Amazon devices and their private label products; and (4) plastics in physical stores, primarily Whole Foods Market and its use of plastic shopping bags and straws.

We were pleased to see that the company is actively looking to reduce the use of plastic across the different areas of the business and that it has begun to set targets.

That said, Amazon still falls behind the actions taken by its peers and is under pressure to improve rapidly. We have since joined a PRI working group focusing on plastics so as to develop our understanding of this key ESG risk to our investments.



Case study

Citigroup

Issue

There is a growing body of evidence to suggest that companies where female and ethnically diverse candidates are strongly represented at all levels tend to perform better. Conversely, companies which fail effectively to tackle ethnic inequality in the workforce face serious operational, legal and reputational risks. In line with this, 2021 saw a sharp rise in the volume of shareholder resolutions at US companies focused on improving ethnic diversity in the workplace. Many of these resolutions gained very high levels of support, as investors and proxy advisors paid more attention to this topic.

Process

CtW Investment Group filed a shareholder resolution requesting that Citigroup oversee a racial equality audit analysing the company's adverse impacts on non-white stakeholders and communities of colour. We chose to support this item, as it is one we have supported at other US companies in which we invest. Given growing public awareness of racial justice in society and businesses, we felt a racial equity audit would allow shareholders to assess the robustness of Citi's diversity and inclusion policies.

In our view, this resolution should be seen as complementary to the notable work the company has already undertaken to tackle this issue. Citigroup has carried out several commendable initiatives to reduce ethnic inequality, such as a $1 billion commitment to close the ethnic wealth gap and create opportunities for racially and ethnically diverse people, as well as investing an additional $100 million into the Pathways to Progress Initiative. The company has also set a target to improve ethnic diversity in leadership positions.

At Rathbones we have recently extended our voting policy to cover ethnic diversity at board level for premium listed US companies.

Outcome

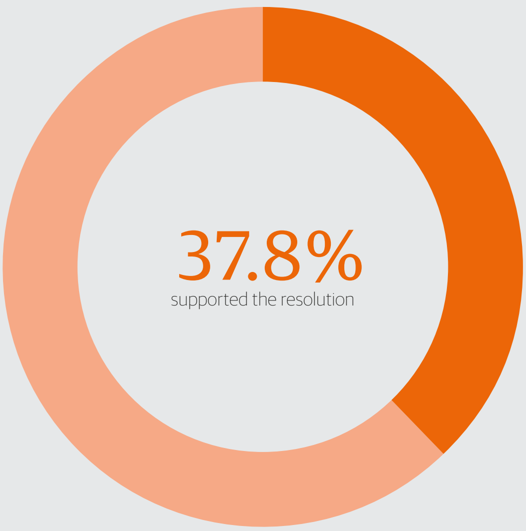
The shareholder resolution received support from 37.8% of shareholders, making it one of the best supported racial diversity shareholder resolutions during the 2021 US AGM season. We feel this will encourage a similarly worded resolution to be put forward at the 2022 AGM and may lead other investors to file at Citigroup's peers. The result will also require the board to pay greater attention to how it is enhancing racial diversity within the company and work more closely with shareholders to avoid this item being raised next year.

Citigroup has committed

$1 billion

towards closing the racial wealth gap and creating opportunities for racially diverse people

In 2022 we will vote against the re-election of the nomination committee chair at S&P 500 / Russell 3000 companies where the board has no ethnically diverse directors. We feel it is crucial that investors focus on strengthening ethnic diversity across all levels of the company. In the UK, we have taken a similar stance for FTSE 100 companies that have failed to meet the Parker Review Target. We will vote against the re-election of the nomination committee chair where a board has no ethnically diverse directors.



GB Group

Issue

In line with EU audit legislation, the maximum audit tenure for a company is 10 years. This can be extended to 20 years by way of a mandatory tender, at the latest after 10 years. We expect all premium listed UK companies to comply with the requirement for mandatory auditor rotation after 20 years. We believe that all companies can benefit from refreshing audit tenure more regularly, as newer auditors are more likely to be free from potential conflicts of interest and may have fewer impediments to producing accurate, fair and transparent information for shareholders. Recent audit failures have reaffirmed the importance of regular auditor refreshment. The item to reappoint EY as GB Group's auditor at the 2020 AGM received an 18.13% vote against. A large group of shareholders were concerned with the auditor's long tenure.

the maximum audit tenure for a company is

10 years

in line with EU Audit legislation.

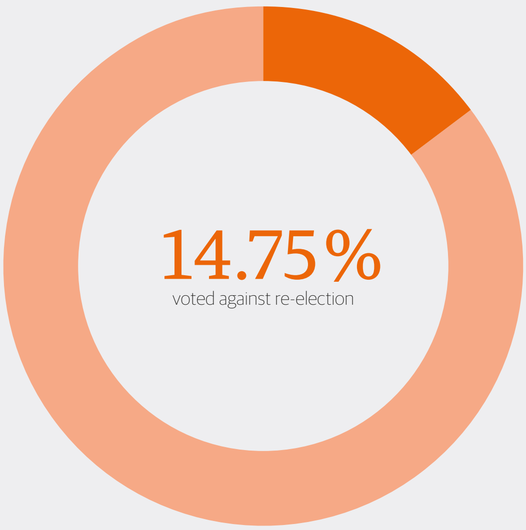
Process

Our voting policy will recommend a vote against the re-election of the audit committee chair when a company's audit tenure has exceeded 20 years. This was the first time we had voted at the company's AGM, which was an important consideration for Rathbones' largest holders of GB Group when deciding how we should vote. We also noted the board's explanation that the company will look to conduct a tender process with a new auditor taking over the audit for the year beginning 1 April 2023. GB Group said that the board and the CFO will oversee any advisory appointments with candidate firms prior to and during the tender process to ensure that threats to independence are managed and avoided. The company is also monitoring the Department for Business, Energy and Industrial Strategy (BEIS) White Paper on Audit Reform, with a particular focus on the potential impact and timing that these reforms will have on the appointment of its new external audit.

After further debate between the stewardship team and largest holders, we decided to abstain on the re-election of the audit committee chair - we still had concerns but acknowledged that a new auditor would be in place by April 2023.

Outcome

Shareholders clearly remained concerned with the company's auditor arrangements, with the item to re-elect EY receiving a 14.75% vote against. The vote against the audit committee chair received a 0.56% vote against, showing that investors prefer to target the re-election of the company's auditors, rather than the audit committee chair. We will consider how we approach the 2022 AGM given we still have another year before a new auditor will be in place.



Responsible investment principle 3:

Engagement with consequences

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

All engagement activity at Rathbones is covered by our responsible investment policy, which calls for 'engagement with consequences' as a core principle. This is further fleshed out in our engagement policy.

Read Rathbones engagement policy.

This policy explains how we approach the selection and execution of engagement projects, escalation methods and how we monitor effectiveness. As previously mentioned, we conduct all engagement on our own behalf or through recognised coalitions. We do not contract out any engagement services as we see engagement and stewardship to be fundamental to our fiduciary duties.

Our core principle on engagement states:

- We will prioritise engagement where we can make a real difference in addressing the world's systemic environmental and societal challenges.
- We are prepared to reduce our holdings in companies who present an ESG risk.
- As owners of the companies in which we invest on behalf of our clients, it is our responsibility to undertake dialogue with companies on a wide range of ESG issues.
- We believe that such dialogue can deliver benefits to our clients in a number of ways, not least in its ability to access the disclosure of better information on ESG risks.
- We also note academic evidence that engagement with companies on ESG issues can lead to better investment outcomes.
- We also believe that engagement on ESG issues with underlying companies forms part of our wider responsibility as a business to society. While the primary purpose of engagement is to enhance and protect assets in our portfolios, we also have a role to play in addressing and minimising systemic risks which may affect those assets.

Given that we do not have unlimited resources to engage in depth on every issue at every company we hold, we have choices to make about the effectiveness of our engagement activities. Selecting and prioritising engagement topics and targets is therefore essential in meeting our stewardship responsibilities.

While the section on our voting activities covers our equity holdings, where shareholder rights give a clear opportunity for direct, annual engagement, our engagement activities cover our holdings in various asset classes, including fixed income.

Engagement process

More detail is available in our engagement policy, but in summary we are more likely to engage having considered the following principles:

1. **Exposure:** across our portfolios we may hold stakes in smaller companies which, while small in terms of value, may be significant in terms of the proportion of voting rights. We are more likely to engage directly where we hold a material stake in the company, defined as holding in excess of 2.5% of a company's share capital, or where shares in the company are widely held across the business. We are also more likely to engage where the company is currently in receipt of a recommendation from our investment process.
2. **Severity:** we are 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 of a pressing and severe nature.
3. **Location:** we are more likely to engage with those companies where we have a deeper understanding of the local legal framework.
4. **Expertise:** we are 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 policies for the most important ESG engagement issues.

Potential engagements are discussed by the engagement committee on a monthly basis and referred up to the responsible investment committee ahead of implementation. Members of the committee and the stewardship team are able to nominate issues or companies for engagement. In addition, an annual engagement plan is formulated and approved each year, detailing areas for focused activity. Of course, new issues are always emerging and receiving public attention. So, while we plan multi-year support for themes we consider to be deserving (climate change and human rights in supply chains in particular), we reserve capacity in the team to enable effective interventions on short-term projects which emerge over the course of the year.

The engagement methods we use and their place in an ongoing engagement are summarised in our escalation scale, which can be seen here on the right.

Where we have an engagement focused on measurable outputs, we use 'SMART' objectives (specific, measurable, attainable, realistic and time-bound). However, many engagements deal with intangible factors such as corporate culture which are less suited to quantifiable targets. Our annual engagement action plan has been made publicly available.

Source: Rathbones

Case study

SSE

Issue

As a member of the Institutional Investors Group on Climate Change (IIGCC), we play a role in the Climate Action 100+ (CA100+) initiative, a global investor alliance seeking to ensure compliance with the goals of the Paris Agreement by the world's biggest-emitting companies. Since 2019, Rathbones has been the lead investor for SSE and was key to getting the company to agree to a 'say on climate' vote at the company's 2021 AGM. SSE put its net zero transition plan to shareholders in a non-binding advisory vote. The resolution gained 99.96% support.

Rathbones made a statement at the 2021 AGM. We complemented the actions taken by SSE thus far, such as setting science-based targets covering both absolute and intensity-based measures of carbon emissions and offering shareholders an annual advisory vote on its climate strategy. However, we also voiced concerns that there were certain criteria of the CA100+ Net Zero Company Benchmark (launched in March 2021) that SSE either did not meet at all or only partially met. We informed SSE that the company would need to make further commitments by the end of the year to improve its CA100+ Net Zero benchmark score. We also called on SSE to commit to aligning its disclosures fully with the CA100+ Net Zero Company Benchmark by the end of 2024.

Process

Later in the year we wrote to the chair of the board to inform SSE of the next stage of the assessment of target companies against the CA100+ benchmark. Companies were notified of their initial benchmark assessment at the beginning of December 2021 and had until the end of the year to provide any additional disclosures to be considered when assessing their scoring.

Rathbones was key to getting SSE to agree to a 'Say on Climate' vote at their 2021 AGM

Outcome

The next assessment of SSE's progress against the CA100+ benchmark was publicly issued in March 2022. We will continue our engagement with SSE during the year and will discuss the latest assessment with the company.

The scoring will help investors prepare for the 2022 proxy voting season and alert the company as to how it has been progressing in advance of the 2023 CA100+ deadline for achieving alignment.

Case study

Frasers Group

Issue

In 2016, there were an estimated 40 million people facing a form of modern slavery and human trafficking globally. The likelihood is that this number is significantly higher. As long-term investors, we believe it is fundamentally important that companies comply with all provisions of the Modern Slavery Act 2015 to demonstrate a strong commitment to fighting modern slavery, given its systemic nature. As the reporting requirements came into force a number of years ago now, investors, stakeholders and the UK government consider continued lack of compliance to be a serious matter.

In 2020, we discovered that Frasers Group had failed to meet the Section 54 reporting requirements of the Act. The company had failed to meet the letter of the law as the statement on the company's website was outdated, having been approved by the board and signed off by a director in 2020. We engaged with the company as part of our pilot Votes Against Slavery project (see below in PRI engagements section) but by the end of 2020, the company remained non-compliant.

Process

As Rathbones was not a shareholder of the company, we were unable to vote on the item to approve Frasers Group's financial statements and statutory reports at the AGM - the usual process Rathbones takes when a company fails to comply with the requirements of the Act. We therefore encouraged other investors to take this stance on our behalf. We were subsequently notified that several investors had voted against this item at the company's 2021 AGM.

Outcome

Shortly after the AGM, Frasers Group provided an update on the status of the new statement. The company's website was undergoing a redesign and the new statement would be uploaded before the year end following approval at the next board meeting.

> We were unable to vote on the item... we therefore encouraged other investors to take this stance on our behalf.

Before the year end, we were sent the new statement which clearly showed board approval and director sign-off. The statement was loaded onto the company's website in early January 2022. Frasers Group will be expected to produce a new statement within six months of the company's year-end.

In 2016, there were an estimated

40 million

people facing a form of modern slavery and human trafficking.

Collaborative engagements

Our overarching aim is to act in the best interests of our clients.

This takes precedence over collaborative action. In certain situations our concerns will align directly those of other shareholders as many ESG issues are systemic. Coordinated, cross-sectoral action may therefore be appropriate. As we state in our public engagement policy:

"Where appropriate, in line with our conflicts of interest policy, we will seek to engage on a collaborative basis."

In line with this, we have joined the following high-level collaborative organisations:

PRI

We have been members of this leading responsible investment network since 2009. We make full use of the organisation's collaboration platform and engage with other members on a wide range of ESG issues each year.

IIGCC

We have been full members of the Institutional Investors Group on Climate Change (IIGCC) since 2019. We sit on the resolutions sub-group and co-lead engagement with utilities companies. In 2021, we led a specific engagement programme on the issue of 'say on climate' votes at listed companies, gathering together many IIGCC members in support of the concept within clearly defined boundaries. We successfully led negotiations with a major UK energy company to trial the notion at its 2021 AGM.

IIGCC plays a significant role in Climate Action 100+ (CA100+), a global coalition engaging with the world's largest emitting companies. CA100+ is a voluntary initiative that brings together - and builds on - a number of pre-existing, investor-led, engagement initiatives, including the IIGCC. In signing up to CA100+, investors commit to engaging with at least one of 167 focus companies that are strategically important to the net zero emissions transition, and to seeking commitments on the initiative's key asks:

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

Through our involvement with the IIGCC and CA100+ we are having a global impact.

The 167 companies in scope account for over 80% of global industrial greenhouse gas emissions. At the end of 2021, the collaboration pointed to the following commitments - important milestones which Rathbones does not have the capacity to achieve on its own.

CA100+ wins for the last year

LafargeHolcim became the first company within construction materials to set net zero 2030 and 2050 targets validated by SBTi.

In light of the Dutch court's ruling, Shell has updated its 2030 Scope 1 and 2 emissions targets. Shell has a separate target to get to net zero Scope 3 emissions by 2050. The company also pledged to stop routine gas flaring by 2025, five years ahead of its previous target.

Anglo American announced that it aims to halve its indirect greenhouse gas emissions by 2040

Centrica produced its transition plan which includes commitments to net zero electricity production by 2035 and net zero emissions by 2050

LyondellBasell committed to net zero emissions by 2050 as a result of IIGCC members formally submitting an AGM item to be added to the agenda, after gaining support from shareholders representing over 4% of the company's capital

Bayer published its corporate lobbying report. The company committed to doing so to avoid a shareholder resolution from IIGCC members earlier in the proxy season

BHP published its climate transition action plan and announced an advisory vote at its 2021 AGM

Find it, Fix it, Prevent It

We are founder members of this investor coalition which seeks to bring about a step change in company responses to modern slavery. This engagement works with companies in high profile sectors. A core ask is that underlying issuers disclose where they have found examples of modern slavery in their supply chain – a major issue as companies prefer to ignore bad news and under-estimate the scale of the problem. In 2020, our engagement with one company successfully unearthed forced labour in the supply chain, for which the company took responsibility and sought to make changes.

Votes Against Slavery

We established Votes Against Slavery in 2018 to encourage investors to use their AGM votes to encourage greater disclosure on modern slavery in supply chains at FTSE 350 companies. The most recent iteration of the project saw 59 out of 61 target companies make real and substantive changes to their public reporting and in the process become compliant with UK regulations.

Read our 2022 Votes Against Slavery report.

Collaborating for policy influence

We have a clear policy enabling us to participate in collective actions calling for regulatory or policy changes on ESG best practice and responsible investment.

By way of an example, we co-filed a submission to the UK Government Consultation on the Transparency in Supply Chain provision of the Modern Slavery Act. This was supported by a coalition of investors with a total of £2.4 trillion under management. We believe that the Modern Slavery Act was ground-breaking when it was introduced. However, seven years on, there continue to be low levels of compliance and poor-quality reporting in companies' modern slavery and trafficking statements.

For this reason, the submission highlights our support for:

- mandatory reporting on the six areas currently highlighted by the Modern Slavery Act
- actions to improve company reporting on the efficacy of their efforts to tackle modern slavery
- extending the mandatory reporting requirement to the private sector
- providing greater clarity on which organisations are covered by the Transparency in the Supply Chain provision.

At the time of writing the UK Government has accepted many of the points raised by the coalition, but has yet to prioritise parliamentary time to effect the necessary improvements to the Modern Slavery Act.

Additionally, Rathbones group was one of 457 investors, representing $41trillion in assets, who signed the 2021 Global Investor Statement to Governments on the Climate Crisis. This document set out the finance sector's expectations for action on climate change by policy makers in the run up to COP26 in Glasgow, calling for governments to:

1. strengthen their 2030 commitments ahead of COP26 to align with limiting warming to 1.5°C.
2. commit to a mid-century, net zero domestic emissions target and outline a pathway with ambitious interim targets, including clear decarbonisation roadmaps for each carbon-intensive sector
3. implement domestic policies to deliver these targets, incentivise private investment in zero-emissions solutions and ensure ambitious pre-2030 action
4. ensure COVID-19 economic recovery plans support the transition to net zero emissions and enhance resilience
5. commit to implementing mandatory climate risk disclosure requirements aligned with the recommendations of the TCFD, ensuring comprehensive disclosures that are consistent, comparable, and useful in decision making.

Read the 2021 Global Investor Statement to governments on the climate crisis

Collaborative engagement

In 2021, we were involved in a number of ESG-themed engagement projects through collaborative engagements with the PRI collaboration platform and other initiatives.

Environmental

IIGCC net zero investor expectations of banks:

Along with 22 investors representing $10 trillion in assets under management, Rathbones signed an Institutional Investors Group on Climate Change (IIGCC) letter outlining investor expectations as to how banks should demonstrate alignment with the goals of the Paris Agreement. A key requirement in the letter was for banks to confirm that they will set (or have set) a commitment to align all of their financing activities with achieving net zero emissions by 2050 or sooner, including all material greenhouse gas emissions, establish short and medium-term targets consistent with this commitment and ensure alignment with the recommendations of the TCFD).

Outcome:

Initial results showed that no bank uses a 1.5°C scenario to set short or medium-term targets. Furthermore, coverage of banks' activities, as well as economic sectors within portfolios, under Scope 3 targets is currently low; banks typically include lending activities in their targets but none cover all relevant activities; and all short or medium-term targets are sector-specific and therefore do not cover the entire portfolio. In addition, decarbonisation pathways are not available for all required sectors at this point and there is an overlap between sectoral targets and sectoral policies (e.g. phasing out coal). Rathbones was invited to an investor roundtable in November 2021 to discuss the revised Banks Assessment Framework and was required to provide final feedback on the Framework by December 2021. The Transition Pathway Initiative will finalise the Framework based on the results and the feedback from investors. We expect to receive an update in Q1 2022.

Letter to proxy advisors requesting a commitment to support net zero investing and develop a range of proxy advice solutions to this end:

The IIGCC and supporting investors sent letters to proxy advisors, requesting a commitment to support net zero investing and develop a range of proxy advice solutions to this end. The letter Rathbones co-signed relates to ISS, but IIGCC also wrote to Glass Lewis.

Outcome:

The letters were sent in November 2021. We expect to receive an update in the coming months.

Net zero-aligned audits and associated disclosures:

The IIGCC invited Rathbones to co-sign letters, drafted by Sarasin & Partners, to the big four audit firms (PwC, KPMG, EY and Deloitte), setting out investor expectations for auditors to provide net zero-aligned audits, and associated disclosures.

Outcome:

The letters were sent in December 2021. We have already received responses from all of the big four. All have accepted that they need to increase disclosure of how they have considered climate in their audits. PwC and EY have indicated that this would be visible in all premium listed company reports. Deloitte suggests it is focusing on its climate 'watch list' of more carbon-intensive companies. KPMG acknowledges that all audit partners need to make these disclosures, and have a standardised approach. It's not good enough to have some individual auditors making disclosures but not others . We should expect to see more detail in auditor reports within 2022 annual reports.

Net Zero Banking Alliance:

We were invited by ShareAction to sign letters to a list of banks calling for a higher level of ambition on tackling climate change ahead of COP26. Major international banks with a significant geographical footprint are exposed to a range of climate risks, including physical and transition risks, that could have a significant impact on the value of their assets and liabilities. Banks are also in a powerful position to drive the low-carbon transition and to address the worst consequences of climate change. We called on the target banks to update and strengthen their climate strategies in the run-up to the Kunming Conference (CBD COP15) and the UN Climate Talks (COP26) in Glasgow in 2021.

Outcome:

By November 2021, responses had been received from 46 banks, including Barclays, CitiBank, HSBC, Lloyds Banking Group, JPMorgan and Morgan Stanley. Several calls have also been organised to get more information on the steps being taken by these banks. 24 banks confirmed they would publish new climate targets ahead of COP26, the end of the year, and/or their 2022 AGM. We are still waiting on responses from 16 banks. Responses to the second ask of the letter (integrate findings of the IEA net zero scenario and other 1.5°C scenarios into climate strategy) were more mixed, with several banks confirming they will rely on such scenarios to set targets but a majority failing to translate the findings in their sectoral policies. The third ask (on coal) led to banks, including Credit Suisse and Standard Chartered, publishing new coal policies. The fourth ask (ensure your financial statements are drawn up in alignment with a 1.5°C-pathway) was misinterpreted by certain banks, several of whom referred to their approach to TCFD. This demonstrates a lack of understanding about the need for Paris-aligned accounting and what it means in practice. Responses to the fifth ask (biodiversity) confirmed that this is a relatively new topic for most, although many banks confirmed their intention to engage with and/or join leading biodiversity initiatives such as the TNFD (Taskforce on Nature-related Financial Disclosures).

IIGCC and physical climate risks and opportunities:

Investors, regulators, and policymakers are increasingly recognising that physical climate risk can have financial impacts on investment portfolios. Physical climate risk covers how companies' operations may be affected by issues such as increased incidence of floods and rising temperatures. The IIGCC, of which Rathbones is a member, has developed a new set of investor expectations for how companies should respond to this risk. These include:

1. establish a climate governance framework
2. undertake a physical climate risk and opportunity assessment
3. develop and implement a strategy for building climate resilience
4. identify and report against particular benchmarks to demonstrate progress over time.

The IIGC has written to 50 high-risk and high-impact companies to promote these new expectations.

Outcome:

The letters were sent in early September, but the IIGCC has yet to receive any responses. We expect to receive an update by the end of Q1 2022.

Plastics investor working group:

To date, action aimed at tackling plastic pollution has largely been driven by policymakers and the public, but investors also have an important role to play in engaging with companies in the plastics value chain.

In 2021, Rathbones joined the PRI Plastics Investor Working Group, which aims to raise investor awareness of the impacts, risks and opportunities surrounding plastic production, waste and pollution.

It also aims to equip investors with a practical engagement guidance framework to inform their dialogue with portfolio companies identified as being highly exposed to the plastics value chain.

We feel that our participation in the working group and ensuing engagements have the potential to be a value-add for our clients' portfolios on an issue which would resonate widely across the client base, and therefore we believe sign-on is warranted.

Outcome:

The group is newly established and we expect to receive further updates in the next few months.

Petrochemical names, companies in the containers and packaging, fast-moving consumer goods, and waste management sectors will be the focus areas for the working group in 2022.

Investor Mining and Tailings Safety Initiative:

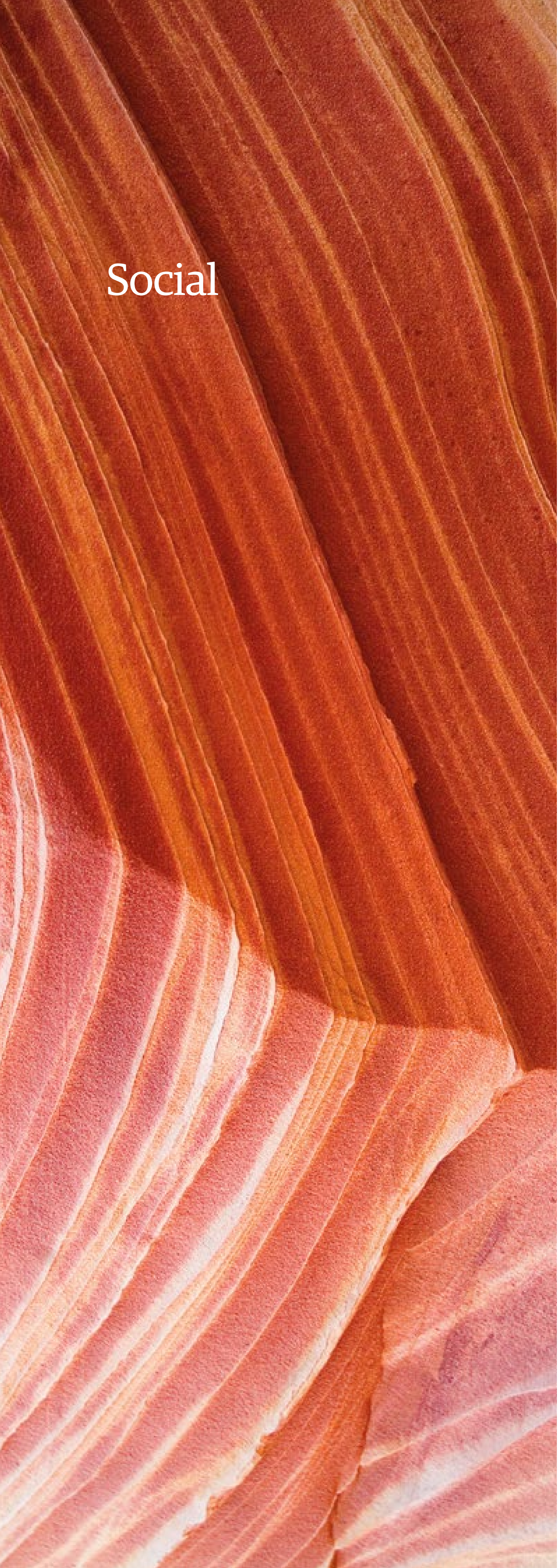
In early 2019, we joined the Investor Mining and Tailings Safety Initiative following the Brumadinho dam disaster which killed 270 people in Brazil. The investor group made a public call for the establishment of a sector-wide independent and publicly accessible international standard for tailings dams and wrote to 683 mining companies requesting information on each of their tailings facilities.

Outcome:

The engagement group has moved on significantly since 2019 with major progress made in 2021:

- the Global Tailings Management Institute (GTMI) was created - one of the recommendations of the Global Tailings Review undertaken by Dr Bruno Oberle
- a Technical Advisory Group, chaired by Prof Elaine Baker and Dr Stephen Barrie, has met five times to date and on 24 January 2022 launched a six-week consultation on a revised investor disclosure request that incorporates the requirements of the Global Industry Standard on Tailings Management
- an Expert Group on Monitoring Tailings Facilities, which has met twice to date, is exploring the creation of a 24/7 Global Monitoring Centre
- at the third Anniversary Summit in Q1 2022, the group will be involved in the formal development of the 2030 Investor Vision for the Mining Sector.

Social



Votes Against Slavery:

Following the success of the pilot scheme, Rathbones broadened the scope of the engagement in 2021. We convened an investor collaboration with £7.8 trillion in assets under management to challenge 61 FTSE 350 companies that had failed to meet the reporting requirements of s54 of the Modern Slavery Act 2015. We worked with the Business & Human Rights Resource Centre (BHRRC), a respected international NGO, to develop a target list, with the aim of achieving full compliance from 61 laggard companies. We expect members of the FTSE 350 to lead in this area by taking substantive action against the prevalence of slavery in their supply chains.

Outcome:

By the end of 2021, 59 out of 61 companies had become compliant, while one of the two remaining target companies became compliant in January 2022. The project will continue throughout 2022 with a new list of target companies that are considered to fall below the standards of best practice.

Engaging mining companies on indigenous community rights and social licence:

In October 2020, the Church of England Pensions Board and Australian partners ACSI sent letters on behalf of 67 investors representing $10.3 trillion to 78 mining companies. The letters request details regarding the actions the mining companies are taking to protect indigenous community rights and how they obtain and maintain their social licence to operate within these communities.

Outcome:

Out of the 59 companies that had responded by December 2021, 68% stated they had group-wide policies for governing community/stakeholder management and referenced relevant international standards for human rights. Meanwhile 75% of companies stated they had some form of board level responsibility, such as cultural heritage, relationship management, or other committees with oversight of these risks set out clearly in the terms of reference and charters of the relevant committees.

Find It, Fix It, Prevent It:

Rathbones continued its involvement in this engagement which calls on businesses in the hospitality sector to identify victims of slavery within their supply chains and to support their rehabilitation. We want to see companies within the hospitality sector develop better policies, processes and procedures for tackling modern slavery.

Outcome:

We are the lead investor for the engagement with Mitchells & Butlers and the supporting investor on the engagement with Greggs. In June 2021, we had a fruitful conversation with Mitchells & Butlers' head of investor relations and the company lead on modern slavery. We discussed the company's modern slavery statement, its approach to tackling modern slavery and whether Mitchells & Butlers had identified victims of slavery within its supply chain.

Find It, Fix It, Prevent It has decided to target a new sector and will be disclosing more information in the coming months.

Rathbone Greenbank led an investor letter to the UK Government calling for mandatory reporting to be introduced for food sector companies:

Greenbank recently led an investor letter to the UK Government in support of the National Food Strategy's recommendation to introduce mandatory reporting of nutrition and sustainability metrics for food sector companies. There are currently 23 signatories to the letter, representing over £6 trillion in assets under management or under advice, including Rathbones Group. Investors strongly support this recommendation as we cannot fully understand the risks and opportunities facing the food sector without consistent, high quality and meaningful information on the nutritional and environmental performance of companies.

Outcome:

The investor coalition is now engaging directly with the relevant government ministers and officials in DEFRA and DHSC, stating why investors support mandatory reporting and building the case for investors to be an important collaborative partner to the Government on this, as well as other food sector issues. The UK Government is expected to publish a White Paper in response to the National Food Strategy within the next couple of months.

Climate/net zero focus

In 2021, Rathbones Group made a commitment to become a net zero investor by 2050 or sooner. In October, we set out further clear interim targets to guide progress.

Direct operational emissions, alongside those linked to suppliers and investments, will be included. Having undertaken a full emissions inventory, Rathbones will be using the SBTi[1] methodology to set its operational and investment targets, as part of its efforts to reduce greenhouse gas emissions and limit global warming to 1.5°C above pre-industrial levels.

Using 2020 as a baseline year, we will work to achieve a 42% reduction in operational and supply chain emissions by 2030. In addition, we will work to ensure that 57% of our underlying holdings commit to or set a STBi aligned target by 2030. This last point is relevant to our engagement activities. Although we have been engaging on climate issues at a high level for many years through Greenbank and other Rathbones Group activities, our net zero ambition requires us to establish and implement a clear engagement strategy for our most carbon-intensive portfolio companies. We expect to provide material updates on progress throughout the year.

1. The Science Based Targets initiative (SBTi) drives ambitious climate action in the private sector by enabling companies to set science-based emissions reduction targets.

We will work to achieve a

42% reduction

in operational and supply chain emissions by 2030.

Case study

HSBC

Issue

HSBC is Europe's largest bank and second-largest financier of fossil fuel companies. Since the signing of the Paris Agreement in 2015, HSBC has provided US$87billion in financing to top fossil fuel companies. Furthermore, the bank is Europe's second most active player in oil sands with US$2.6 billion of funding channelled to the sector over the same period. Given the growing financial risk climate change poses to businesses, HSBC could be at risk if it fails to align itself rapidly with the Paris Agreement.

HSBC's net zero commitment is encouraging but lacks credibility without a timeline on when the bank plans to begin phasing out support for oil, gas and coal expansion. Support for these activities is at odds with a 2050 net zero commitment, and exposes the bank to an increasing risk of stranded assets due to new climate legislation, technological advances, or a shift in demand and/or public perception.

HSBC has provided

US$87 billion

in financing to top fossil fuel companies

Process

We were invited to co-file a proposal led by the responsible investment campaign group ShareAction at HSBC's 2021 AGM. The proposal called for the company and its directors to be authorised and directed by shareholders to set and publish a strategy, along with short, medium and long-term targets to reduce its exposure to fossil fuel assets, starting with coal, on a timeline aligned with the goals of the Paris Agreement (the "Paris Goals"). Given the risks and opportunities associated with climate change, this would help promote the long-term success of the bank, and would be in accordance with the company's ambition to "reduce financed emissions from its portfolio of customers to net zero by 2050 or sooner".

In the months preceding the 2021 AGM, ShareAction co-ordinated several meetings with HSBC's chair, CEO and investor relations team to discuss the asks of the resolution and HSBC's coal financing policy. By March 2021, enough progress had been seen from the company that the co-filers, as a group, decided to withdraw the shareholder resolution and back HSBC's own counter resolution. HSBC moved so close to our position that only a few minor differences remained and, by this point, it was agreed that it would be counterproductive to put forward our own resolution, as it would likely end up with a very low level of support and potentially reduce the efficacy of future engagements on the subject.

Outcome

In August 2021, HSBC sent through its draft Coal Policy to the co-filers. Rathbones was given an opportunity to provide feedback on the Policy and joined an investor meeting with HSBC's Chief Sustainability Officer to voice concerns in person. By December 2021, we received another draft of HSBC's Coal Policy and were afforded another opportunity to comment on the changes made. ShareAction organised an investor call shortly afterwards to confirm next steps for the engagement.

The investor group decided that it was key to co-file again. Overall, it was felt that the Coal Policy was a step in the right direction, but that HSBC had crossed a number of the investor group's red lines. The group felt that a failure to push back at HSBC and keep up the pressure could impact future engagements with other target companies and have an impact on wider stakeholders. The deadline for co-filing was too tight for Rathbones to meet. However, we will continue to be part of the engagement with HSBC. We also suggested to the investor group that it should consider a co-ordinated vote at the AGM against the chair should we feel that HSBC has not made sufficient progress.

Case study

Imperial Brands

Issue

Executive pay continues to be one of the most contentious areas during the AGM season. Shareholders will regularly oppose pay arrangements in which reward and performance are misaligned and increases to remuneration are lacking sufficient explanation. Imperial Brands has historically seen high levels of shareholder opposition to executive remuneration. In FY2020, the CEO was appointed on a base salary that was 12.7% higher than the previous incumbent, who had held the role for 10 years. From our perspective, it was unclear why the board chose not to increase the salary in gradual instalments, especially given the short time the current CEO had spent in the role compared to his predecessor. We expect any increase in base salary to be aligned with more stretching responsibilities and to be phased in over several years.

Process

We discussed this shareholders' vote internally with the largest Imperial Brands holders within both Rathbone Investment Management and Rathbone Unit Trust Management. We also raised this resolution with the Rathbones voting committee given the level of debate. We decided to abstain on this occasion as we noted the company's explanation - that it had been agreed at appointment that the CEO's salary would be frozen for at least 14 months; that the size of the total remuneration package is still 10% lower than the median of the FTSE 350; and that the board believed this increase was necessary to secure the appropriate candidate. This led us to take a more lenient approach.

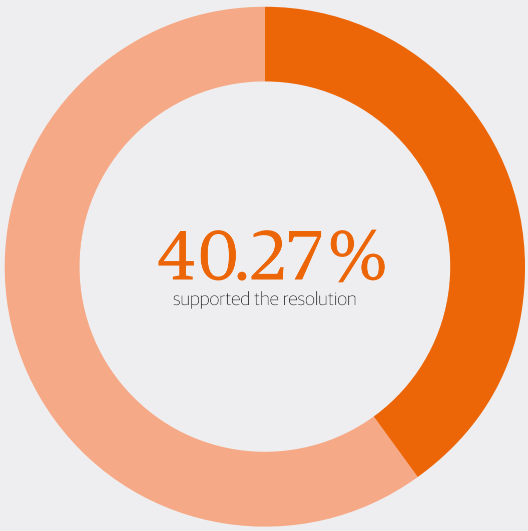
However, we remained concerned that the CEO was appointed on a considerably higher salary than his predecessor. We were also concerned that the board felt that the salary increase was justified by the reduced costs of the new CEO's cheaper pension contributions compared to his predecessor's pension arrangements. Furthermore, Imperial Brands is expected to align the pension contributions of incumbent executive directors with those of the wider workforce by no later than the end of 2022. As such, this reduction was already expected of the company and, arguably, the board should have been aware of this sooner, rather than using it as a justification for increased pay.

Outcome

The company received a 40.27% vote against the remuneration report. This placed Imperial Brands onto the Investment Association's Public Register, requiring the company to provide a detailed explanation of how it had engaged with shareholders.

Imperial Brands has made several positive changes to executive remuneration, in particular to reduce the CEO's 2021 long-term incentive award on a one-off basis.

In response to the significant level of dissent, the company made several positive changes to executive remuneration, in particular to reduce, on a one-off basis, the CEO's 2021 long-term incentive award by 10% to 315% and to improve the level of transparency within the directors' remuneration report. We will be keeping an eye on base salary increases at the company to ensure that any future planned increases are aligned with those received by the wider workforce.



Focus for 2022

Net zero strategy

Target: Identify and engage with priority companies, based on their importance in helping us achieve our investment related net zero goals. Work out how companies' net zero transition plans will be assessed and what they need to do to help us deliver our investment related goals. In addition, engage with a small number of companies we invest in where the auditors have given no sign that they have considered the effects of climate-related financial risks to the company concerned.

Objective: To begin a multi-year engagement strategy on net zero transition plans with a limited group of priority companies, based on a combination of carbon intensity of portfolios and MSCI data. The aim is to get these companies to commit within 18-24 months to considering climate change when preparing their financial statements.

Gender and racial diversity on FTSE 350 boards

Target: Ensure that women make up at least one-third of the board of FTSE 350 companies in which we invest by the time of the AGM. Otherwise, we will vote against the re-election of the relevant director.

Ensure the entire boards at each of the FTSE 100 companies in which we invest have at least one director from an ethnic minority by the time of the AGM. Otherwise, we will vote against the re-election of the relevant director.

Objective: For the target companies to maintain the appropriate level of diversity on the board and to create a succession planning strategy that clearly incorporates gender and ethnic diversity.

Governance priorities: ESG and pay

Target: Engage with the 34 FTSE 100 companies that have failed to include an ESG measure in executive remuneration.

Objective: To add an ESG measure to the annual bonus or the long-term incentive scheme for each of the target companies. Alternatively, to provide a detailed explanation of why this is not in the best interests of shareholders.

Social priorities: Votes Against Slavery

Target: Engage with all identified laggards in 2022 and see compliance at 90% of targeted companies.

Objective: Initially to drive rapid compliance with the provisions of the Act among laggard companies. However, the initiative is also an opportunity for investors to understand better the nature of the businesses they are investing in and to evaluate board responses to the issue of modern slavery. We also want to encourage a greater degree of challenge by investors on social issues.

Biodiversity

Target: Assess biodiversity risk across portfolio holdings in line with a science-based approach in order to identify priority companies and sectors for future engagement.

Objective: To understand impacts both within companies and across portfolios during 2022. This will enable us to develop and disclose a strategy to address the overarching risks to our portfolios posed by biodiversity loss.

Responsible investment principle 4:

Transparency

"As a prominent 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."

Transparency

We believe that clear and ongoing communication to clients on the ESG characteristics of our investments is important. Integrating ESG factors into our research, engagement and investment processes has limited value if we are not transparent.

We made progress in two major areas in 2021 – in making our voting record public at Rathbone Investment Management and in our bespoke client reporting on responsible investment and stewardship issues.

1. Vote disclosure website

In 2021, we took a major step forward in our levels of transparency following the launch of our new votes disclosure service for Rathbone Investment Management.

Hosted on Rathbones' website, the service provides full transparency on how we voted on our Rathbone Investment Management holdings. Investors and other stakeholders can access voting records for specific companies, as well as summary level voting statistics.

2. Responsible investment reporting

In 2021, we began including regular responsible investment reporting in all of our client meeting packs. More detailed reporting to clients continues to be available on request.

PRI benchmarking

In a typical year, we would use this section to profile our results from the PRI's annual benchmarking exercise, an important annual activity which allows us to test our progress against the performance of over 3,000 other members who have committed to responsible investment. Sadly, the PRI experienced serious technical difficulties with their reporting system in 2021, with the result that no member was awarded an assessment for the year 2020. All members were subsequently granted a pause in reporting for 2021 to allow PRI to re-establish its reporting framework. We fully expect to return to full PRI benchmarking in 2023.

Although now out of date, and not reflecting progress made in 2021 in our fixed income team, the results from the 2020 benchmark can be seen here.

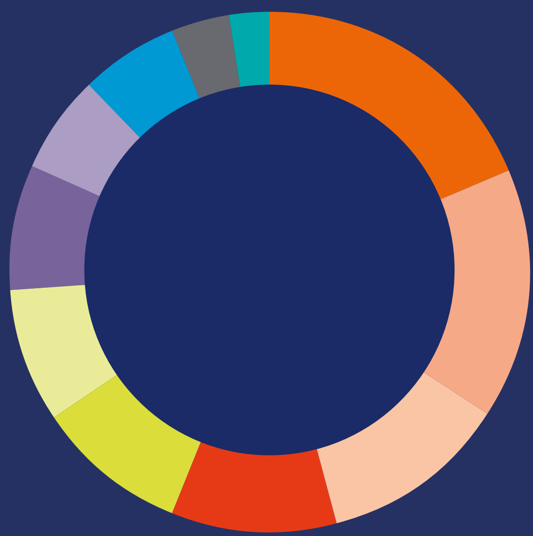
Vote Disclosure | Rathbones

Meetings by market

United Kingdom	67.7%
USA	12.6%
Guernsey	6.1%
Jersey	2.4%
Germany	1.7%
Other	9.5%

* Of the top five meetings with the highest concentration of meetings, the United Kingdom had the most with 894 meetings, whereas Curacao had one, making it the market with the fewest meetings.

Meetings by sector



Financials	18.7%
Industrials	15.5%
Information technology	11.9%
Consumer discretionary	10.1%
Health care	9.5%
Consumer staples	8.2%
Real estate	7.9%
Materials	6.2%
Communication services	6.1%
Utilities	3.4%
Energy	2.5%

PRI benchmarking

Assets under management	Module name	Score	Median score
	01. Strategy and governance	A+	A
Direct and active ownership modules			
>50%	10. Listed equity — incorporation	B	A
>50%	11. Listed equity — active ownership	A	B
<10%	12. Fixed income — sovereign, supranational and agency	Not reported	
<10%	13. Fixed income — corporate financial	C	B
<10%	14. Fixed income — corporate non-financial	C	B

A summary of our performance in key areas versus the median for our peer group.

Rathbones' score   Median score

Glossary

Term	Definition
Active ownership	Using our clients' ownership of shares and other securities to influence the behaviour of companies we invest in on their behalf.
Carbon intensity	The amount of carbon a company is responsible for compared to the size of its operations. This may, for example, be carbon emissions per employee or emissions expressed relative to revenue.
Climate Action 100+	A global investor coalition engaging with the world's largest corporate greenhouse gas emitters to take necessary action on climate change.
Climate risk	Risk caused by the effects of global warming. This includes physical risk - extreme weather events can cause major financial damage - and transition risk (see separate entry).
Corporate governance	The system of rules, practices and processes by which a company is directed and controlled.
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 (AGMs).
Environmental, social and governance (ESG)	ESG is a widely accepted shorthand term that seeks to express the categories of non-financial yet material risks which must be managed by investee companies.
Ethical investment	Investment that excludes or promotes investment in certain activities based on personal or corporate values.
Impact investment	Investment that excludes or promotes investment in certain activities based on personal or corporate values.
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.
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.
Parker Review	In 2017 Sir John Parker was asked by the UK government to oversee a review of British boardrooms to ensure each had at least one ethnic minority director. Its recommendations broadly covered targets for increasing ethnic diversity on FTSE 350 boards.
Principles for Responsible Investment (PRI)	A global initiative, backed by the United Nations, committed to advancing responsible investment through six aspirational principles.

Term	Definition
Proxy voting	Voting on resolutions at company meetings by asset managers on behalf of the underlying investor.
Responsible investment	The integration of environmental, social and corporate governance (ESG) considerations into investing 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 Green House 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 their products are used and emissions generated by their investments.
Shareholder resolution	A proposal submitted by shareholders to the management of a publicly listed company, whereby the decision for the outcome of such resolution is arrived at by voting at the annual general meeting.
Social licence	The idea that companies require approval more widely from society, beyond legal approval. This often refers to the initial acceptance and ongoing approval within a community of a development, such as a chemicals plant or mining operation.
Stewardship	The responsible allocation, management and oversight of capital to create long-term value for clients, while also leading to sustainable benefits for the economy, the environment and society.
Supply chain	The processes and entities required to deliver a company's goods or services from producer to consumer. This usually extends beyond the company to include contractors and sub-contractors.
Sustainable Development Goals	A set of 17 goals set by 193 countries through the United Nations, designed to make life better for people in a sustainable way (see sustainability). 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.
Sustainability	An activity is sustainable if it helps meet the needs of the present generation without compromising the ability of future generations to meet their own needs. This includes the need to live in a world with a pleasant and healthy environment.
Sustainability Accounting Standards Board (SASB)	An organisation that promotes consistency in the disclosure of ESG data by companies.
Transition risk	The risk faced by companies as the world tries to move to a world of net zero carbon emissions. For example, a company that uses a lot of energy in its industrial processes faces the risk of greater costs and financial penalties through government regulation.
Votes Against Slavery (VAS)	Rathbones' engagement project working to provide the necessary accountability for compliance with the UK Modern Slavery Act 2015.

About us

Rathbones Group Plc provides investment management services, financial planning, offshore investment management, trust and tax services, ethical investment and banking services. Rathbones Group Plc is a FTSE 250 listed company employing almost 2000 people across 14 UK locations and Jersey. This report covers our voting and stewardship activities relating to Rathbones Group Plc, referred to as Rathbones, which reported £68.2 billion of funds under management as of 31 December 2021. Rathbone Investment Management and Rathbone Unit Trust Management are subsidiaries of Rathbones Group Plc, undertaking the bulk of our active ownership activities.

Rathbone Investment Management is one of the leading providers of high-quality personalised investment management services for private clients, charities and trustees. Rathbone Unit Trust Management is a leading UK fund manager - a management house offering equity and bond unit trusts and multi-asset portfolios (consisting of six sub-funds and a Greenbank multi-asset portfolio consisting of four sub-funds) to meet client's capital growth and income requirements.

Looking forward

We are committed to transparency in our proxy voting activities. You can read more about our approach to the management of governance risks in our public Principles for Responsible Investment reporting which can be found on the PRI website.

For more information, please email stewardship@rathbones.com

Important information

Rathbones

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Rathbones Group plc

rathbonesplc