Stewardship Code Compliance statement

March 2022
(referring to 2020 activities)

Rathbones
Look forward

Foreword

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 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.

Paul Stockton
Chief Executive Officer

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

We demonstrate responsible investment through:

– Being long-term stewards: we are obliged to identify long-term sustainable investments that take into account environmental, social and governance (ESG) factors, especially as non-financial factors may have consequences that only appear over the longer term.

– Providing clear evidence on materiality: evidence suggests that integrating ESG analysis into the investment process brings no penalty to returns and arguably enhances them. ESG integration is rapidly becoming embedded in 'mainstream' investment management as a means through which to identify both material risks and opportunities.

– Responding to investor demand: there is a growing demand from society for companies to operate responsibly and this has followed through to the need to provide more responsible solutions for clients.

– Complying with increasing regulation: UK and European regulators are noticeably tightening rules around the promotion of financial products claiming to apply ESG factors. Across the industry, advisory bodies and associations are formalising approaches to responsible investment. The EU Technical Expert Group on Sustainable Finance (TEG), the Financial Reporting Council (FRC), and the Investment Association are all working to provide concrete definitions of responsible investment.

We are proud of the achievements we have made to date, and by setting ourselves ambitious targets we recognise the work that needs to be done, not only within our organisation but across the industry and in the private client wealth management space in particular. We will work with our industry partners to promote RI not only within financial services but across all the sectors and within all the asset classes within which we invest in our bespoke products, and will continue to integrate these issues throughout our research and investment decision making to ensure the best outcomes for our clients.

Rathbones and stewardship

Stewardship is the responsible allocation, management and oversight of capital to create long term value for clients and beneficiaries leading to sustainable benefits for the economy, environment and society as defined by the Financial Reporting Council (FRC). The Stewardship Code comprises a set of 12 apply-and-explain principles for asset managers and owners. This report sets out how Rathbones has applied the Code in the full year reporting period to the end of 2020. The scope of the report covers our investment management services and funds business.

For further information we provide a range of detailed reporting on our responsible investment activities at Responsible Investment | Rathbone Investment Management (rathbones.com).

What we do

Our purpose, which is to think, act and invest responsibly, is delivered through our corporate values – responsible and entrepreneurial in creating value, collaborative and empathetic in dealing with people, courageous and resilient in leading change, professional and high-performing in all our actions.

Investment management

Through Rathbone Investment Management, we provide investment management solutions to a range of private clients, charities, trustees and professional partners. Clients of this service can expect a tailored investment strategy that meets individual objectives backed by an investment process that aims to provide risk-adjusted returns to meet clients' needs today and in the future.

Within Investment Management, we have several specialist capabilities including:

Charities and not-for-profit organisations

We manage £6.5 billion of non-profit funds and are the fourth-largest charity investment manager in the UK. The team is diverse, in both its expertise and experience, and aims to deliver suitably tailored investment portfolios to meet the specific needs of clients and trustees.

Rathbone Greenbank Investments

As one of the pioneers in the field of ethically focused investments, we manage over £1.9 billion in ethical and socially responsible investment portfolios. The team is highly proactive, engaging directly with companies and government to improve business practices.

Personal injury and court of protection

Our specialist team works closely with deputies, trustees and families, seeking to provide a consistent and rigorous investment process sympathetic to individual circumstances.

Rathbone Investment Management International

Based in Jersey, we cater for the investment needs of individuals and families, charities and professional advisers who are looking for offshore investment management.

Funds

Rathbone Unit Trust Management is a UK active fund manager with £9.8 billion under management, 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.

Our funds can also be accessed by international clients through our Rathbone Luxembourg Funds SICAV (Société d'Investissement à Capital Variable) which allows access to a similar range of actively managed funds.

Complementary services

Rathbone Financial Planning
Our in-house financial planning team provides whole-of-market advice to clients. The planners work closely with investment managers to help clients create a bespoke financial plan. We have long-standing experience and can act on a one-off basis or as part of an ongoing service.

Unitised Portfolio Service

Using Rathbone Multi-Asset Portfolio funds, we offer clients with investible assets of £25,000 or more our model-based discretionary investment management service. This is designed for clients who do not require a fully bespoke investment solution, but still want access to an investment manager to ensure investment needs are selected and monitored to suit their individual circumstances.

Managed Portfolio Service

A simple and straightforward execution-only investment service which gives clients with £15,000 or more the ability to access high-quality investments. The service is delivered via an adviser at a price that reflects the competitive nature of our sector, but to a standard that clients have come to expect from Rathbones.

Rathbone Select Portfolio

An attractive and cost-effective investment solution for clients with £15,000 or more to invest for at least three years. Providing access to the Rathbone Multi-Asset Portfolio funds on a self-select basis, this service is designed for clients who are comfortable choosing an investment strategy to meet their investment objectives and risk profile.

Banking and loan services

We offer loans to our existing clients secured against their investment portfolios and, in some cases, other assets. As a licensed deposit taker, we are also able to offer our clients a range of banking services including currency and payment services, and fixed interest term deposits.

We also provide services through these entities:

Rathbone Trust Company

Provides UK trust and specialist legal, estate and tax advice to larger clients.

Vision Independent Financial Planning

An independent IFA network providing financial advisory solutions to UK private clients. Acquired in 2015, it has grown from £845 million of assets on its discretionary fund management panel and 81 advisers to £2.2 billion and 131 independent financial advisers.

Principle 1

Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

What we do

Our purpose is to think, act and invest responsibly. This not only shapes what we do but how we do it. It is woven throughout our business strategy and values recognising that this approach is core to our day-to-day decision making.

Our investment beliefs

We recognise that the environment, society and financial stability are connected. We have a fiduciary responsibility to our clients: investing for their long-term goals. This focus on the long term enables us as stewards of our clients' wealth to deliver good financial outcomes and create value for our clients whilst also making a positive contribution to society.

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. We see it as our responsibility to be good, long-term stewards of our clients' wealth.

In 2020 we took several steps to ensure our investment beliefs, strategy and culture support effective stewardship:

As a firm we have built a responsible business framework, which will provide the blueprint for driving long-term, sustainable value for our broader stakeholders. The Responsible Business Committee, which is Chaired by the CEO, provides high level direction and oversight to group policy relating to responsible investment, climate change and direct operational risks.

We have undertaken a robust review of our approach to climate-related financial risks and are reporting against the Task Force on Climate-related Financial Disclosures (TCFD) framework.

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

– ESG integration: we will consider environmental, social and governance (ESG) factors in the evaluation of investments to help identify ESG opportunities and risks

– Voting with purpose: we will 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

- 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
- Transparency: as a prominent participant in the 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.

We have continued to invest in our responsible investment proposition across all business areas and have expanded our stewardship approach to further incorporate ESG integration spanning our direct equities, direct fixed income and fund holdings. Whilst 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 tailored to fit the relevant investment service or mandate such that 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.

Rathbone Investment Management

Our investment managers seek to understand each client's situation and objectives and will propose an investment strategy that is tailored to client need. When constructing client portfolios our investment managers draw on recommendations and guidance from our investment committees. At the investment committees we seek to pool the insights and expertise of a hybrid team incorporating financial analysts and investment managers as well as stewardship and engagement specialists and ESG integration and data analysts. 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

Rathbone Greenbank Investments (Greenbank) has been an early adopter of ESG investing and has been creating bespoke ethical, sustainable and impact portfolios for clients for over 20 years. Fundamental to Greenbank's approach is the belief that those companies providing positive solutions for a changing world, while also demonstrating strong social and environmental management and good corporate governance, are likely to be sound long-term investments. In addition to information available from the central investment process, Greenbank has a research team dedicated to providing in-depth ethical screening, sustainability and impact analysis to help inform the team's investment selection and portfolio construction.

Where clients have particular ESG preferences or enhanced ESG requirements, Greenbank is able to service those needs. Greenbank is comprised of ethical, sustainable and impact investment specialists, whose knowledge and expertise caters to those clients who aim to go the extra mile in the consideration of the ESG and sustainability along their investment journey. Greenbank implements broader exclusions across its investment universe, and provides a wider range of impact and sustainable investment solutions across asset classes in order to ensure clients can achieve not only their financial goals, but their sustainability goals too. The presence of Greenbank marks us out from our peers.

Rathbone Unit Trust Management (RUTM)

Rathbone Unit Trust Management encourages its managers to think as individuals. We believe this is what makes our funds market leading. ESG factor information and metrics have been integrated into the fund managers' individual investment processes to support their investment decisions. Fund manager investment decisions are scrutinised by the Chief Investment Officer (CIO) at regular challenge meetings, where the rationale for investments with adverse ESG factors are reviewed. ESG risk data is reviewed monthly at RUTM's Product Governance Committee, to ensure investments remain suitable for the funds' target market and in line with the funds' mandate as described in the funds' prospectus.

In addition to the engagement carried on RUTM's behalf by Rathbones' group stewardship team as described in this document, our fund managers regularly meet with company executives of businesses RUTM invests in to discuss ESG issues and opportunities directly.

As a default, RUTM votes in line with Institutional Shareholder Services (ISS) sustainability criteria. Our fund managers and distribution team take on board feedback from our investees where appropriate. Ultimately, it is the responsibility of our fund managers to vote on behalf of and in the best interest of the unitholders of the fund, in line with the investment mandate of the fund.

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 diligence through the ethical research carried out by Rathbone 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. Rathbone Greenbank provides significant capability in terms of ethical and sustainable research and are 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 don't want to compromise between their values and their financial objectives.

How we have served the best interests of clients

Strong stewardship means recognising our clients' interests and taking an active approach to the ownership of investments. Implementing effective stewardship is integral to our investment process as a means of protecting and enhancing value for our clients.

We actively monitor the actions, policies and decisions of the boards of companies we invest in and participate in voting at annual general meetings and extraordinary general meetings. Where appropriate, we engage with companies to ensure your interests as a shareholder are protected.

As stewards of our clients' wealth, we actively engage with the management teams and boards of the companies and securities we invest in. This gives us the opportunity to directly raise issues that are important to our clients or might impact portfolio performance. We believe it is important that owners of assets have a say in how the investments they hold are managed. We also recognise that environmental, social and governance (ESG) factors can have as much impact on a company's performance as financial measures. We engage actively to drive operational improvements and press companies to address ESG risks. Just as we stand by our beliefs and vote against management when we need to, we may reduce our holdings in companies that present unresolved ESG risks. Our determination to take action makes our engagement more effective, helping us protect and create value for our investors over the long term.

We know that industry collaboration means faster, stronger impact, so we strive to share our knowledge and build a universal understanding of ESG issues and sustainable investing. We partner with other bodies in the responsible investment community, with the aim of collectively driving positive change on a number of diverse social and environmental issues which have included climate change and modern slavery among a range of other issues.

We have made good progress in integrating ESG considerations into investment decisions; however, we observe that data coverage from external sources may have gaps – particularly when considering smaller or less liquid companies and investments – and consequently our analysis is being extended to the use of comparables and other tools to enable a robust assessment to be made even where security data is limited or unavailable. We continue to expand our ESG integration approach across all asset classes held.

Principle 2

Signatories' governance, resources and incentives support stewardship.

The governance structure relating to our responsible investment committee (RIC) was reviewed in 2020 and approved and implemented in 2021. These changes are designed to ensure effective execution of our RI vision and its evolution. The RIC which now has accountability for formulating policy, establishing standards of best practice and monitoring implementation and oversight of ESG integration, engagement and voting activities. This committee is attended by CIOs for Rathbone Investment Management (RIM) and Rathbone Unit Trust Management (RUTM), Head of Charities, Head of Greenbank investment and the Stewardship Director as well as other representatives from across the business. An assessment of progress against the core principles of the Responsible Investment Policy is a rolling agenda item at these key committees. The RIC provides direction to and oversees output of the voting committee (previously the stewardship committee) and the engagement committee (previously the engagement working group) both of which have revised terms of reference and membership. The voting committee is focused on proxy voting at investee companies in RIM and RUTM and responsible for the development and maintenance of our bespoke group voting policy. The engagement committee manages the multi-year engagement plan, tracks progress against objectives, proposes new engagement priorities and coordinates direct and collaborative engagement activity. The stewardship team facilitate coordination and integration of all voting and engagement activity with investment committees and investment managers.

Resources

We have a well-resourced research team with experience across a range of investment disciplines. ESG knowledge resides across the financial analysts and is bolstered with the support of responsible investment specialists. 21 members of our Research team have undertaken and completed structured ESG training courses including the UN PRI training and the CFA ESG accreditation. This has aided our understanding of how to incorporate ESG into our research and investment process as we enhance our current processes and prepare to broaden our existing coverage.

We employ three full time staff focused entirely on proxy voting and ESG engagement (comprising two ESG analysts and one junior ESG analyst) in addition to the full-time role of stewardship director, a more senior role providing oversight and clear accountability for the whole stewardship process. In 2021 we have continued to invest in additional resource to support the further evolution of our responsible investment proposition and integration activities; these include an ESG integration lead and a Research management analyst. Both roles are focused on designing and developing materiality frameworks and scorecards to inform our proprietary ESG ratings and sustainability assessment to inform investment decisions.

Greenbank employs a team of dedicated ethical sustainable and impact specialists. Full details are provided below.

Responsible Investment specialists

Matt Crossman
Stewardship Director

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

He is a graduate of the University of Bristol where he studied law, with a particular interest in the administration of environmental law, and also has postgraduate qualifications in Sustainable Development theory and practice. He is a trustee of LoveBristol, an urban regeneration charity, and served on the board of the Ecumenical Council for Corporate Responsibility between 2007 and 2012.

Archie Pearson
ESG & Voting Analyst

Archie joined Rathbones in 2018 as a Voting & Governance Analyst. He is a member of 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 Oikocredit in their UK & Ireland office. During his time there, he worked as a client executive, tasked with generating capital from individuals and institutions. Archie graduated in 2015 from the University of Edinburgh and has a Masters in Theology.

Andrea Marandino
ESG & Stewardship Analyst

Andrea 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 Adviser 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 concentration in environmental issues (MSc).

Kazuki Shaw
Junior ESG Analyst

Kazuki joined the Stewardship team at Rathbones in 2021 as a Junior ESG Analyst, 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 spent four years on the sell-side, as an equity trader at Credit Suisse Securities in Tokyo, and as a fixed-income futures salesperson at HSBC in London.

He graduated from the University of Oxford in 2017 with a BA (Hons) in Oriental Studies, and is currently a CFA level 1 candidate.

Ziko Townsend
ESG Integration Lead

Ziko serves as ESG Integration Lead and supports the incorporation of ESG into the Rathbones investment process. He joined in August 2021, having spent two years independently consulting for tier 1 UK banks, speciality banks, asset managers, fintech and management consultancies. Before that, he spent nine years in the Caribbean's largest Mutual Fund, focusing on buy side multi-asset analysis and portfolio management.

Ziko received his BSc in Economics from the University of Florida, and his MBA (Hons) from Cass (now Bayes) Business School in London.

Jamie Mill
Research Management Analyst

Jamie Mill supports and monitors the effectiveness of Rathbones' investment process as a Research Management Analyst. Jamie joined Rathbones in February 2020, having previously worked for S&P Global before a short spell in Fintech. He spent over 4 years at S&P focusing on factor-based index rebalancing and index treatment for complex corporate actions. Jamie began his career working as an Index Analyst at Russell Investments.

Jamie graduated from the University of Glasgow in 2012, with a BAcc (Hons) in Accounting and Finance.

Rahab Paracha
Rahab is the sustainable multi-asset investment specialist for the Rathbone Greenbank Multi-Asset Portfolios. She joined Rathbones in 2021, having worked previously as a Junior Responsible Investment Specialist at HSBC Asset Management. Rahab graduated from the London School of Economics with a BSc in Economics, holds the Investment Management Certificate and is a CFA Charterholder.

Kate Elliot
Head of Ethical, Sustainable & Impact Research

Kate is head of Rathbone Greenbank's ethical, sustainable and impact research team. She oversees the development and implementation of the team's sustainability assessment framework, analysing investments against a range of environmental, social and governance criteria. She also monitors emerging sustainability themes, sets priorities for Greenbank's stewardship and engagement activities and has developed the team's systems for the measurement and reporting of portfolio sustainability and impact performance. She joined Rathbones in 2007 after graduating from the University of Bristol with a Masters in Philosophy and Mathematics.

Perry Rudd
Ethical, Sustainable & Impact Research Adviser

Perry joined Rathbones in 1999 after a career in the IT industry. He acts as adviser to Rathbone Greenbank's ethical, sustainable and impact research team, which he headed until 2021. He was responsible for establishing the team's proprietary research database and continues to be involved in its development. He also conducts thematic research into key responsible investment issues as well as monitoring corporate performance on environmental, social and governance matters. Perry was a founder member of Rathbone Greenbank in 2004.

Sophie Lawrence
Senior Ethical, Sustainable & Impact Researcher

Sophie joined Rathbone Greenbank in January 2020 as a senior ethical, sustainable and impact researcher. She is responsible for managing engagement activities, assessing the social and environmental performance of companies and conducting ESG and impact reporting for clients. She started her career at Barclays Bank in 2013 and has most recently spent three years at KKS Advisors, a strategy consultancy in London. She holds an MSc from Imperial College London in Environmental Technology and a BSc in Geographical Sciences from the University of Bristol.

Kai Johns
Ethical, Sustainable & Impact Researcher

Kai joined Rathbone Greenbank in March 2019 after graduating from the University of Cambridge with a BA in Law. He is responsible for assessing the social and environmental performance of companies.

Katherine Farr
Assistant Ethical, Sustainable and Impact Researcher

Katherine Farr joined Rathbone Greenbank in March 2020 before joining the ESI research team in January 2021. She is responsible for assessing the social and environmental performance of companies. Katherine graduated from Durham University with a BSc (Hons) in Anthropology.

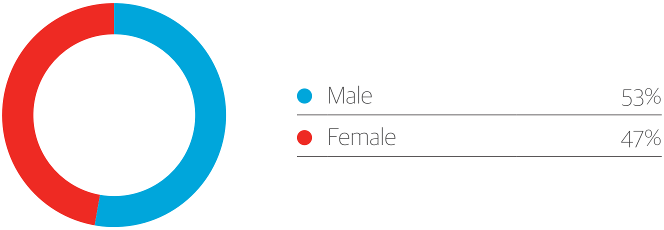
Incentives to integrate stewardship into investment decision making

Rathbones creates an open and transparent working environment where employees are encouraged to engage positively in risk management and to support our key objectives. We want our employees to feel empowered to make decisions that are in the best interests of our company, our clients and other stakeholders and the world around us. All staff are required to act responsibly and as one of our values is explicitly incorporated into the performance appraisal process applicable for all employees. Achieving and driving forward our Responsible investment strategy has been incorporated into the objectives of several executive and senior level roles. Senior level accountability for overseeing and implementing responsible investment has been assigned and incorporated into job descriptions and key objectives against which performance will be assessed. Where environmental, social and governance (ESG) risks form a key part of an employee's role, these considerations will be incorporated into their appraisal discussions and performance assessments. Remuneration will be influenced by various factors, depending on the role.

Diversity

Across the organisation we champion a transparent and evidence led investment culture where the testing of ideas and sharing of a range of diverse perspectives is encouraged in an open, inclusive and collaborative environment. The investment committees, research and stewardship team is made up of individuals across a range of backgrounds, experience, academic disciplines and career history. Several of the stewardship team have career history in the non-profit sector and several of the team have completed postgraduate studies in areas such as Sustainable Development and Economic History. A summary of Group gender breakdown data is provided on page 19.

Summary of Group gender breakdown (based on 100% data in the system)



Rathbones have so far collected diversity and inclusion (D&I) Data from 64.8% of employees including gender, ethnicity and sexual orientation etc. Whilst the current data does not illustrate the full picture it is helpful in understanding our starting point in driving the D&I agenda. We understand how a diverse and inclusive culture can improve business results through fresh perspectives and innovation as well as providing access to a wider range of skills and to support talent retention. Although our workforce is approximately 50:50 female to male, when we look at all levels of employee, this balance shifts as we move up the business. We are committed to taking all steps possible to reduce our gender pay gap and have had some success in increasing representation in more junior professional levels, which will provide better representation at senior levels, albeit over time. We published gender pay gap data in April 2020, 2021 and will do so again before April 2022. We continue to target the progression and development of existing female employees with opportunities for leadership and management programmes. We are signatories to the Women in Finance Charter and the firm is committed to achieving 25% female senior management representation by 2023. As of 2020, we have reached 24.6% (2019: 20.3%).

Other resources: Data, professional services and processes

We also utilise data and professional services to support the implementation of our stewardship approach. We employ a third-party proxy voting consultant (Institutional Shareholder Services, 'ISS') to help us build and execute our bespoke voting policy across RIM and RUTM. The service provided includes features that are supplementary to the standard service levels; this includes the implementation of our bespoke voting framework and policy, subscription to ISS's new sustainability focused voting policy recommendations as a sidelight to our own bespoke policy, and a new vote disclosure website.

We source ESG data from a number of vendors including: MSCI, Morningstar/Sustainalytics, Fitch, S&P, SASB, this data is incorporated into a number of our internal databases and systems to aid analysis and assimilation and we have enhanced our research templates to incorporate a dedicated section on ESG and RI information. In addition, we have acquired further data and tools to assess the climate impact and risk embedded in our portfolios. Further information can be found under Principle 7.

Outcomes:

Changes to governance structures and processes that we started to define in 2020 have been implemented in 2021 as described above. These have served to provide a strategic approach to our stewardship and responsible investment approach and a refinement to our priorities and processes. We anticipate that these changes will deliver huge value to clients well into the future. All of the work described above represents the output of an 18-month project specifically intended to realise more effective stewardship and the better integration of ESG into ownership and investment practices.

Principle 3

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

We have a clear responsibility under UK regulation to maintain a robust internal conflicts of interest policy. This general approach is covered by our internal compliance function and covers area such as personal account dealing.

With regard to the oversight of voting of shares in our priority companies and the undertaking of engagements with those companies on ESG issues, we have identified the following potential conflicts of interest

a. Proxy voting: It is our preference to amalgamate all votes on a particular issue into a unified stance. Voting Committee members have an opportunity to shape our voting stance. This could lead to a potential conflict, should the interests of shareholders diverge from those of connected persons.

b. Different clients may have different needs and requests on voting issues: For example, a vote may be offered on the issuance of new shares — and clients may wish to vote differently from our central recommendation. Clients may have different risk appetites or income requirements, hence votes on approval of the dividend could give rise to conflicts between clients.

c. We may be required to direct our votes at RIM on governance issues at RUTM funds: There is a risk that internal pressure may prejudice the voting process, resulting in outcomes that suit RUTM better than the client.

d. Rathbones' employees may serve as NEDs on boards of companies or Investment Companies: A conflict arises when a committee member is either directly employed by a listed company or could be pressured by colleagues internally to determine pay and conditions for board members.

e. A conflict would arise where a client serves as a director, CEO, Chair or other senior employee of a company and may place undue pressure on the stewardship team to follow a particular course of voting action which may be in conflict with the best interests of our clients.

We summarise these conflicts in item 5 of our Responsible Investment Policy (on page 23).

5. Conflicts of Interest

Responsible investment supports our vision to think, act and invest responsibly to become one of the leading ESG players in the wealth market. It aligns with our core values and purpose as a company.

However, conflicts may arise from our responsibilities as a listed company under the principles of the UK Corporate Governance Code, those of ESG disclosure and the best practice of peers. The direction of our voting and engagement activities may, on occasion be inconsistent with our own internal ESG management arrangements as we manage a proportion of our assets on a non-discretionary basis. In particular we note that the following risks may arise in the execution of our responsible investment activities.

Conflicts may arise as a result of:

- ownership structure;
- business relationships between asset owners and asset managers, and/or the assets they manage;
- differences between the stewardship policies of managers and our clients;
- cross-directorships;
- bond and equity managers' objectives; and
- client or beneficiary interests diverging from each other.

We are confident that our existing conflicts of interest management systems address these issues in sufficient detail.

The internal management of ESG risks by Rathbone Brothers PLC is outside of the remit of this policy and the Responsible Investment Committee.

Internal controls to mitigate conflicts of interest in the stewardship process.

a. Declaration: Voting Committee Members are required to complete a declaration form each year in order to disclose and manage their conflicts of interest. When a stock is being discussed in the committee to which the members has disclosed a connection, the member is required to recuse themselves from the discussion. Voting committee members are specifically required to disclose:

- Current employment and any previous employment in which you continue to have a financial interest.
- Appointments (voluntary or otherwise) e.g. trusteeships, directorships, local authority membership, tribunals etc.
- Membership of any professional bodies, special interest groups or mutual support organisations.
- Investments in unlisted companies, partnerships and other forms of business, major shareholdings.
- Investments in listed companies in a personal capacity with a cash value in excess of £10,000
- Memberships of other internal Rathbones Investment Committees
- Any other conflicts that are not covered by the above.

b. Public voting policy and voting record: High levels of transparency help reduce the likelihood of conflicts arising. We publish our voting policy and make our voting record on listed companies public. External actors are therefore able to track our voting in line with our stated policy and note any incidences of divergence.

c. Client register of interests: We recognise that larger high net worth clients may dominate our holdings of a particular stock. A conflict would arise where that client – a director, CEO, Chairman or other senior employee, may place undue pressure on the stewardship team to follow a particular course of voting action which may be in conflict with the best interests of our clients. We therefore maintain a register of such client holdings and flag those exposures where they exist. We allow split voting to manage such conflicts (i.e. where we vote a client's shares one way and the rest of our discretionary holding in conflict with the wishes of the larger client).

d. Client voting requests: We have a clear process for allowing clients to request that their shares be instructed in a particular way without swaying the implementation of our wider voting policy. Any debate on proposed curse of action is discussed by the stewardship committee, with the CIO acting to break any ties.

e. Firewalls/ Structure: The approach to voting is designed to keep it free from undue external interest. Only approved committee members have visibility to the voting recommendations, and they must declare conflicts of interest to be able to contribute. The committee is autonomous, no senior manager has power of veto over voting decisions.

By way of example, in 2020 we recommended a vote against the re-election of a director at an investment trust, where a NED was a Rathbones client and major shareholder (NB client confidentiality means we cannot disclose the specific details). The investment manager was informed well in advance, and the major shareholder's shares were voted in line with the client's wishes, against the Rathbones' internal view. There was no undue influence on the Rathbones internal process, and the client's wishes were respected. A letter was sent to the company explaining the split vote entered through our nominee.

Principle 4

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

Sustainable investment

We consider the active integration of ESG into the investment process to be key in delivering a healthy financial system. This firm belief has been articulated formally since our support for the Principles for Responsible Investment was first publicly stated in 2009. In recent years our work on the concept of responsible capitalism has further underlined our belief that proper identification and management of ESG risks is key to the long-term prospects of the global economy.

In order to help shape the UK financial industry's responses to these issues, we have contributed our time to two important industry organisations, namely:

– Rathbones serve as a committee member for the Investment Association's Sustainability Committee.

– Rathbones serves on the ESG advisory committee of the International Regulatory Strategy Group, which is co-sponsored by TheCityUK and the City of London Corporation.

Through our membership of these committees, we have helped shape a number of important interventions into the UK financial system, of which we provide two recent examples:

– 20191118-iaresponsibleinvestmentframework.pdf (theia.org)

– Accelerating the S in ESG: a roadmap for global progress on social standards | IRSG

Our conceptualisation of Responsible Capitalism has helped inform our ESG integration process, chiefly in the development of our own in-house ESG ratings methodology and the development of criteria for the assessment and identification of sustainability themed investments. We are developing capabilities that will allow us to monitor, report and manage the climate impact of securities holdings and manage the risk they may pose to investment outcomes and global climate goals.

Climate change

As part of our annual reporting cycle we have for many years identified climate change as a major systemic risk. In our recently published group climate statement, we say:

> "As a wealth manager with over £54.7 billion in funds under management and administration (as at 31 December 2020), we have a responsibility to understand how climate change can impact our portfolios and allocate assets strategically to minimise those risks, be they physical or transitional risks. **Moreover, it is widely accepted that the climate crisis, like the current COVID-19 crisis, poses a systemic risk that threatens the stability of the financial system.**
>
> www.rathbones.com/sites/rathbones.com/files/imce/climate_change_statement_130521.pdf

Though this formal statement of policy is recent, it reflects a more longstanding belief. This is reflected by the fact that Rathbones first become a corporate supporter of the Carbon Disclosure Project (now CDP) in 2004. Since that time we have also become members of the Institutional Investors Group on Climate Change and were founding members of 'Aiming for A', a UK based investors coalition which operated between 2014 and 2018 focusing on the biggest emitters listed in the UK. In the Institutional Investors Group on Climate Change (IIGCC) we play a significant role in the corporate programme, being longstanding members of the shareholder resolutions support group and leading on target companies in the sister Climate Action 100+ initiative. We commit significant staff time to these initiatives and believe our work is highly valued. This is reflected in our selection as lead investor engaging with one of the UK's biggest carbon emitters, and selection as co-lead investor on the recent 'Say on Climate' project.

As a business we continued to support CDP (formerly the Carbon Disclosure Project), both as an investor and as a responding business. With CDP's move to align its framework to the Task Force on Climate-related Financial Disclosures (TCFD), additional financial services questions were introduced in 2020. Our score of B reflected our willingness to respond to this new methodology and we are confident that delivering on a number of existing projects, such as the setting of targets and integration of ESG factors into the decision-making for our investment portfolios, will continue to improve our score. We support the work of the TCFD and in 2020 produced our first response in alignment with its recommendations (see Annual Report pages 70-74).

Modern slavery

Modern Slavery is a pervasive risk to society and supply chains, affecting millions of people globally. The International Labor Organisation (ILO) estimates that the persistence of forced labour and human trafficking is worth $150 billion annually, a cost to the formal economy and a major systematic risk to business across all sectors. Businesses have a huge role to play in eradicating modern slavery, and the UK's landmark 2015 Modern Slavery Act sought to bring the business community into the fight. Rathbones was the leading UK investment organisation calling for the inclusion of transparency in supply chains reporting in the Act. Giving evidence on the Modern Slavery Bill | Rathbone Investments (rathbones.com)

Despite good intentions, the section 54 modern slavery reporting regime was left lacking in enforcement powers. Among the biggest companies in the UK, compliance was poor. In this vacuum of enforcement, investors have a crucial role in advancing protection for fundamental human rights. Having previously had success on an individual basis, Rathbones convened an investor collaboration in 2020 with £3.2 trillion in assets under management to challenge 22 FTSE350 companies that had failed to meet the reporting requirements of section 54 of the Modern Slavery Act 2015. Signatories make it clear to target companies that they will not support the adoption of the target's annual report and accounts should compliance with the Modern Slavery Act not be achieved. By the end of 2020, 20 out of the 22 target companies had become compliant.

The initial objective of the collaboration was to drive rapid compliance with the provisions of the Act among laggard companies. Our aim was to achieve full compliance from a target list of 61 laggard companies. We worked with a respected international NGO to develop the target list. We expect the members of the FTSE 350 to lead in this area, and to take substantive action against the prevalence of slavery in their supply chains. We consider the FTSE350 to have a 'multiplier' effect, as their actions will incentivise further compliance down their supply chains.

Having seen success with the pilot scheme, in 2021 Rathbones and its partners expanded the coverage to target 61 FTSE350 companies whose modern slavery reporting fell below expected standards. The breadth of the coalition grew significantly. with 97 investors comprising £7.8 trillion assets under management now supporting the project.

The success of the engagement has highlighted many areas of good practice, and resulted in the improvement of at least one company's internal ESG profile, making them more suitable for investment in client portfolios.

Collaborative efforts on systemic risks — policy engagements

Whilst it is our preference to lead on ESG engagements, there is value in adding our weight to the efforts of others, especially in the area of policy making. We provide two examples from among many of the situations where we have aligned with others' work to support engagement on market wide, systemic ESG risks.

- We signed a letter to be sent to EU leaders ahead of the European Council meeting of 18-19 July 2020, calling for an economic recovery that includes maintaining momentum on the Green Deal, sustainable finance and an ambitious 2030 greenhouse gas emissions reduction target, with at least 25% of the EU's long-term budget contributing to climate objectives. The letter was prepared by IIGCC, in coordination with the PRI and Carbon Disclosure Project (CDP).
- In 2020 the Financial Conduct Authority (FCA) consulted on proposals to improve climate change related financial disclosures by listed issuers. The new 'climate rule' detailed in CP20/31 proposes to introduce a new requirement for commercial companies with a UK premium listing, by which they would have to state whether they comply with TCFD-aligned disclosures and to explain any non-compliance. As a group, we welcome the FCA's consultation and agree with the need to clarify and enhance climate-related disclosure obligations. However, we believe there was potential to improve the proposals to ensure that investors have the information to adequately integrate climate-related risks and opportunities into investment and stewardship decision-making. Specifically we recommended the following changes:
    1. Make the new 'climate rule' mandatory, not 'comply or explain',
    2. Apply it to all issuers, not just those with a premium listing, from 2022,
    3. Require issuers to disclose plans for how they can achieve net zero GHG emissions by 2050, in line with the UK's Government net zero emissions law and
    4. Explain how consistency will be maintained with emerging EU disclosure laws, including those imposed under the EU Non-Financial Reporting Directive (NFRD)

Assessing effectiveness

Where we respond to a market wide and systemic risk through engagement, the effectiveness of the project is reviewed monthly by the Engagement Committee and quarterly by the Responsible Investment Committee. An annual assessment of engagement work is conducted at Investment Executive level. The assessment looks at factors including the quality of responses to letters or statements, the general take up of ideas generated and, with regard to policy consultations, the quality of commitments made by issuers and the degree to which our engagement goals have been delivered.

The Responsible Investment Committee reviews and approves the annual engagement plan, based on a review of a number of factors including an assessment of ESG risk in our portfolios. As explained below under Principle 8, issues with more severe and widespread ESG risks are prioritised for action. Individual actions are suitable for such detailed review, but it is not possible to conduct a meaningful assessment of a FTSE 350 asset manager's role in advancing human rights, for example.

Principle 5

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

As described under Principle 2, supplementary to our regular review of progress and management of RI at Rathbones, in 2020 we commenced a three-year programme looking to set out a vision for accelerating all aspect of RI at Rathbones.

To assist with this process we employed an external consultant. At all stages of this process the consultant provided an impartial assessment of our progress against our vision on RI. Over the course of 18 months several important steps were taken to improve our governance processes. The following policies have been audited, refreshed and renewed in the last 12 months

— Rathbones Group Responsible Investment Policy

— Engagement Policy

— Proxy Voting Policy

— Group Climate Statement

In terms of recent developments to policies, we note the following:

— A much clearer statement of our position on climate change and our aim to be a Net Zero Asset Manager by 2050 (work commenced in 2020, and to be finalised in 2021).

— The inclusion of a framework for group level exclusions in the new Responsible Investment Policy (work commenced in 2020, finalised in 2021).

— Clearer goals and priorities in our Engagement Policy, making a public statement of our engagement goals for the year 2021. This will now be an annual occurrence, an important step to improve transparency for our clients.

Oversight of the effectiveness of our stewardship activities is therefore largely internal. We consider this to be appropriate given our preference for the performance of stewardship activities to be done by our own team rather than through contractors, with important independent verification provided by reporting to external benchmarks such as UN PRI.

We provide high level summary Responsible Investment Reports which cover the most important issues and interventions, supplemented by more bespoke reporting embedded in our client meeting packs and portfolio reviews. Bespoke managers are not covered by the same frameworks for external assurance of stewardship.

We do, however, regularly report and benchmark our progress through the PRI reporting framework. In our RUTM division, specific funds have sought external verification, notably the EUROSIF disclosure frameworks. Our reporting processes reflect the nature of the services and portfolios that we manage. For products that are managed to clear ESG and sustainability led mandates the governance, oversight and reporting processes are tailored to these needs.

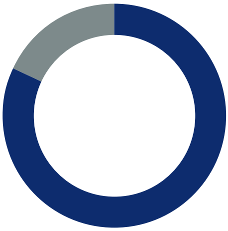
Our annual and semi-annual Responsible Investment Reports go through a multi-level sign off process. The most significant oversight is provided by the responsible investment committee, followed by the approvals process covered by all external publications. The Responsible Investment Committee is also responsible for auditing and approving our annual PRI Report. This internal verification includes input from our Communications and Marketing functions, which helps ensure that reporting is, to the best of our abilities, fair, balanced and understandable. Multiple layers of sign off exist for all documents produced for publication, and sign off by Compliance and Marketing functions ensures consistent use of language in a manner that is clear, fair and not misleading.

Principle 6

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

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

As at December 2020, our assets under management were £54.7bn, made up of:



RIM	£44.9 billion
RUTM	£9.8 billion

This can be broken down into the following asset classes (NB presented as a snapshot only, the sum total and result of all of our bespoke and individual investment portfolios and retained funds).

	Percentage (%) of AUM
Listed equity — internal	69.47
Fixed income — internal	16.31
Private equity — internal	0.62
Real estate — internal	0.59
Other: Commodities = 1.397% Actively Managed Strategy Funds = 3.95% Cash = 5.15% Money Market Instruments = 0.08% Structured Products = 0.83%	11.42

Geographical exposure (RIM)

	Percentage (%)
Asia Pacific	0.55%
Emerging Markets	0.47%
Europe	22.12%
Japan	0.12%
United Kingdom	69.76%
United States and Canada	6.98%
Grand Total	100.00

Rathbone Investment Management (RIM)

Through Rathbone Investment Management, we provide investment management solutions to a range of private clients, charities, trustees and professional partners. Clients of this service are offered a tailored investment strategy that meets individual objectives backed by an investment process that aims to provide risk-adjusted returns to meet clients' needs today and in the future.

Size of Investment Management relationship value

0–£250k	6.7%
£250k–£500k	11.1%
£500k–£750k	9.5%
£750k–£1.5m	17.8%
£1.5m–£5.0m	25.6%
£5.0m–£10.0m	9.7%
£10m+	19.6%

Source: Rathbones

Investment Management client account type by value

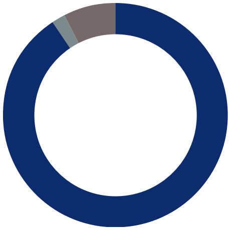
Private clients	34.3%
ISA	19.1%
Charities	13.9%
Pensions	11.9%
Trusts	10.4%
Other	10.4%

Source: Rathbones

Our investment and stewardship process works to a range of different time horizons in order to meet the needs of our client base. We manage portfolios for a range of different client types which includes individuals, multi-generational families, charities, endowments and pensions. For this reason our process allows us to consider and understand how stewardship and ESG factors may influence or be impacted by the economy, market dynamics and investment outcomes over multiple time horizons. We recognise that the environment, society and financial stability are connected. We have a fiduciary responsibility to our clients: investing for their long-term goals. This focus on the long-term enables us as stewards of our clients' wealth to deliver good financial outcomes and create value for our clients whilst also making a positive contribution to society. Rathbone Investment Management provides a tailored investment strategy that meets individual objectives backed by an investment process that aims to provide risk adjusted returns to meet clients' needs today and in the future. Our stewardship approach aligns with this.

A final important point to note is the proportion of RIM assets by client type. As the following chart shows, some 90.7% of assets are regarded as discretionary, with an additional 9.3% either execution only or advisory. The focus of our stewardship activity is undertaken on behalf of discretionary portfolios. We vote actively on a minimum of 95% of our RIM votable assets by value.

Service level by number



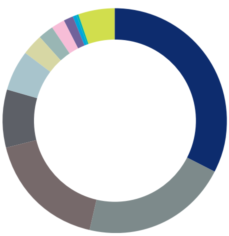
Discretionary	90.7%
Advisory	1.8%
Execution	7.5%

Source: Rathbones

Rathbone Unit Trust Management (RUTM)

Rathbone Unit Trust Management is a UK active fund manager with £9.8 billion under management, 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. We vote on every company held in a RUTM fund.

Total funds: £9,820m



Rathbone Global Opportunities Fund	£3,202m
Rathbone Ethical Bond Fund	£2,088m
Rathbone Multi-Asset Portfolios	£1,714m
Rathbone Income Fund	£811m
Offshore funds	£578m
Rathbone High Quality Bond Fund	£283m
Rathbone Active Income and Growth Fund	£227m
Rathbone Strategic Bond Fund	£204m
Rathbone Core Investment Fund for Charities	£129m
Rathbone Global Sustainability Fund	£44m
Rathbone UK Opportunities Fund	£49m
Other funds	£492m

Source: Rathbones

In addition, complementary services include:

- Financial planning
- Unitised Portfolio Service
- Managed Portfolio Service
- Rathbone Select Portfolio
- Banking and loan services
- UK trust, legal, estate and tax advice
- Vision Independent Financial Planning

How we seek our clients' views

In RIM, understanding our clients' needs is fundamental. RIM clients work directly with an investment team to understand in some detail their risk profile and financial goals. The client on-boarding process ensures the capture of all relevant data, and any particular considerations or constraints such as ethical exclusions are noted.

Investment managers undertake regular communication with clients. This enables us to respond to specific requests, for example, a tailored client voting instruction, and as explained elsewhere in this report, we have created and maintained a system whereby client voting requests are processed and respected.

Rathbone Greenbank clients may have more specific or deeply held ethical preferences. Here our specialist ethical and sustainable investment management business operates a rigorous ethical screening process, supported by a bespoke methodology and screening database.

In respect of our discretionary fund management, clients come to us because we offer a fully delegated investment management service, trusting us to meet their financial and stewardship objectives and paying a fee for that service. For the majority of our client base, all aspects of their investment needs are covered in our standard service arrangements, and in most cases clients prefer to fully delegate to our professionals, guided by our public policies on responsible investment.

In Rathbone Unit Trust Management we are committed to the principle of seeking and implementing our unitholders' views. However, practically this is very difficult to execute, since we mainly distribute our fund range through UK investment platforms, and those platforms do not provide us with any data on who our underlying holders are. We have therefore tried to make our Stewardship and RI stance as clear as possible.

In addressing this gap, we are in discussions with several start-up companies who amalgamate voting intentions on ESG issues from retail or pension clients. However, once again the major platforms are not yet covered by these systems, and so any data gleaned would not speak directly to our fund holder universe.

Communication with clients

As stated above, given the highly bespoke nature of our core service, our group level Responsible Investment Stewardship Reporting is high level and covers the most important and pressing issues considered to be the most relevant for most of our clients. We publish our voting record for RIM in full and in real time on our website (with RUTM due to follow suit in 2022). We do offer enhanced reporting on stewardship matters where the client requires it or where covered by regulation, for example providing detailed voting reports for pension schemes which are covered by the Pensions and Lifetime Savings Association reporting requirements; providing detailed engagement reports for major charity clients; and offering highly detailed carbon footprint reporting for clients of Rathbone Greenbank Investments.

We are working to enhance our reporting capabilities specifically in relation to ESG, responsible investment and sustainability factors as a priority with the intention of scaling up and providing more detailed information regarding a portfolio's ESG characteristics to all clients. Although falling outside the reporting period, engagement examples now form a part of every client meeting pack.

We will be increasing the frequency of our responsible investment reporting, adding an interim responsible investment report to our existing annual reporting cycle. Our voting record is made live and in real time on our website. We make our PRI Transparency report public on request.

Our communications with clients on ESG matters are subject to continued review and development and we expect a number of developments in this area in 2021 and 2022.

Principle 7

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

ESG Integration

ESG Integration into our investment process and ownership activities is a core principle of our Responsible Investment Policy. We source ESG data from a number of vendors including the following:

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

In addition, we also use the following sources to support our voting and engagement activities:

- ISS

The research team have 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.

We are using this information to develop ESG materiality frameworks for different sectors and individual investments. We have 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 this links to different financial and value drivers.

Investment research recommendations include ESG drivers as part of the summary and investment case and within security recommendations, analysts summarise their findings by explaining how material ESG influences may impact the investment thesis, different scenarios and any mitigating factors. The investment committees use this information to inform recommendation decisions and, where relevant, to identify opportunities to create value through further engagement with the company.

Ongoing thematic research work 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.

We use third party vendor data and tools to support analysis, assessment and reporting. Our Research team has created a bespoke database of responsible investment data comprising 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.

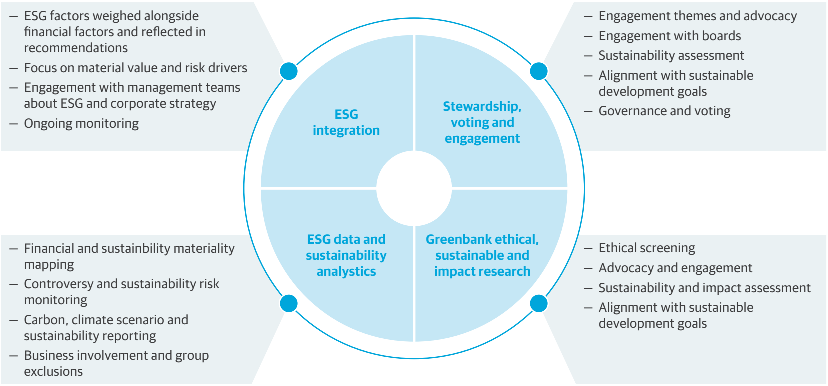
In addition to this, supplementary data allows us to develop absolute and relative views for comparison against other holdings within a portfolio and within sectors or industries.

We are 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, or future, higher environmental and/or social scoring.

In 2021, we began the construction of an internal ratings database which brings together external data sources on ESG risk with insights generated from our stewardship and engagement activities.

Our goal is to make informed judgments and incorporate this analysis into our recommendations and investment decisions. We seek to understand not only what a company does, but how it achieves it and the potential impact on a broader 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.



Examples of engagement activities

Below we present two examples of engagement activities which bring to life the integration process set out above.

Example 1 (RIM)
In 2020, the group stock selection committee was reviewing the status of a major travel and tourism company which carried a "buy" recommendation. The stewardship analyst on the committee provided committee members with an assessment of relevant governance risk factors, most notably that the company maintained a board which was nearly all non-independent, lacking in diversity and non-compliant with Modern Slavery Act requirements (a cornerstone of our engagement activities, as noted under Principle 10). In combination with the financial review, the committee decided to materially downgrade the company.

Example 2 (RUTM)
As part of the energy transition away from fossil fuels, the future value of renewable energy assets represents an ESG opportunity. This thinking has been incorporated into the equity valuations of the Rathbone Global Sustainability Fund, whose fund managers examined several pure play renewables companies expected to benefit most from the growth in wind and solar assets. On finding that this future value was not fully priced in by the market, the fund managers allocated capital to specific targets, including a wind turbine manufacturer and renewable utility companies. Since inclusion in the fund, these companies have outperformed the fund's benchmark, FTSE World.

These examples are but two of many which serve to align our investment horizon with those of our clients whilst looking to reduce exposure to ESG risk in our clients' portfolios.

Principle 8

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

We treat our commercial contracts with regard to ESG and stewardship service provision with the same degree of rigour as any commercial contract.

Since we perform all investor engagement directly, the provision of voting advice is the main way in which we employ a third party to assist with discharging our stewardship responsibilities.

Firstly, we actively monitor the provision of advice against our bespoke in-house proxy voting policy. A member of the team is responsible for the weekly tracking of voting recommendations against our policy, submitting regular feedback where our policy is not being followed. We review the timely provision of bespoke advice on a monthly basis. In 2020/21 we tracked in excess of 50 occasions where the advice provided was questioned by our internal analysis. Further, voting advice is regularly reviewed at the quarterly meeting of the voting committee.

As a failsafe, we have an annual meeting with our service providers to review service levels. This applies to our proxy voting provider and ESG data and ratings providers. We regularly re-tender our contract which adds a much-needed layer of accountability.

As a specific example of a wider monitoring process undertaken by the team, in the early 2020 proxy season, we reached out to our main proxy voting service provider on the provision of voting advice. Our bespoke policy clearly states our support for resolutions allowing for issuance of shares without pre-emption rights in certain defined circumstances. We noted that the provider had failed to issue a negative voting recommendation despite the issuer in this instance failing to provide a guarantee that any new shares would not be issued at a discount to Net Asset Value. Our monitoring process flagged this issue well in advance of the AGM, and the advice was changed.

In order to ensure that our contract meets our needs, we subscribe for the application of a bespoke voting policy, which is stronger in many areas, setting much clearer and more demanding criteria for compliance in areas such as audit tenure and board diversity.

Principle 9

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

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

https://www.rathbones.com/sites/rathbones.com/files/imce/rathbones_-_engagement_policy.pdf

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 for any engagement services. This builds from our corporate culture and purpose.

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 gain 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 minimizing systemic risks which may affect those assets.

As a manager with £57bn held in over 60,000 direct bespoke portfolios, we have choices to make about the effectiveness of our engagement activities, given that we will never have sufficient resources to engage in depth on every issue at every company we hold. By way of comparison, we hold around 400 companies in our RUTM business; in RIM the number is well over 6,000, many of them personal holdings brought into our nominee on becoming a Rathbones client.

Selecting and prioritising engagement topics and targets is therefore essential in meeting our stewardship responsibilities. 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 3% 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 deeper experience of a company or issue. We select certain issues for proper action each year and develop specific 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 before implementation. Committee members and members of the stewardship team are able to nominate issues or companies for engagement. In additional an annual engagement plan is formulated and approved each year, detailing areas for focused activity. However, the world is not static and new issues are always emerging and receiving public attention. We, therefore, plan where we consider the theme to be deserving of multi-year support (climate change, human rights in supply chains in particular) but leave some capacity in the team to make effective interventions on short term projects which will emerge in the year.

We summarise engagement methods used and our consideration of their place in an ongoing engagement in our escalation scale:

Source: Rathbones

Since we are shareholders primarily, the mainstay of our engagement is formal correspondence with the Board of an investee company, followed by AGM voting and meetings with management. We write to every company where we issue a vote against management, and where we decide to support management but have issues to communicate for the board to consider. In pre-pandemic times, we prioritised the physical attendance at the AGM to ask questions at our ten biggest holdings. Letter writing makes up the majority of our direct engagements, followed by meetings with management. Direct questions at AGMs were limited in 2020 year, although in the latter half of the year we were part of a shareholder group co-filing a climate themed resolution at HSBC's 2021 AGM. This builds on a long history of co-filing of shareholder resolutions in the European Market, leading on efforts to file with Shell and BP in 2016, for example, and starting in 2006 with one of the first ESG themed shareholder resolutions filed in the market (Shell).

We provide more detail on escalation under Principle 12.

We set clear goals where we consider them to be helpful and meaningful in delivering on the stewardship goal.

By way of example, our goal in the votes against slavery project is to create incentives for faster company action on combatting modern slavery. This is by nature imprecise, but important. Having assessed the level of slavery risk in the UK and beyond, we consider that company transparency on the issue is lacking, and that a regulatory need to provide better information would stimulate improved action by corporates. To that end we researched compliance levels with the 2015 Modern Slavery Act in the FTSE 350, and targeted 61 companies. We wrote to them explaining precisely which elements of their reporting fell short of best practice, with the threat of voting against their report and accounts if changes weren't made. This triggered action, and opened the door for more detailed engagements with interested companies. We targeted 75% compliance. We have currently achieved over 90%.

Where we have an engagement focused on measurable outputs such as this 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 such quantifiable targets. An annual engagement action plan is drafted, currently available to clients on request. We intend for this plan to be public from 2022.

We provide disclosure on the status of ongoing and concluded engagements in the calendar year 2020 in appendix 1 to this report. This includes progress under collaborative engagements listed below with the exception of IICGG/CA100+. More detail on progress relating to this project can be found at Net-Zero Company Benchmark | Climate Action 100+

Principle 10

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

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."

We recognise that in some situations our concerns will align directly with those of other shareholders. However, our overarching aim is to act in the best interests of clients and this takes precedence over collaborative action.

We recognise that many ESG issues are systemic, and hence are more suited to coordinated, cross-sectoral action. We have therefore joined the following high-level collaborative organisations:

PRI

We have been members since 2009 and make full use of the PRI's collaboration platform, engaging 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 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, pulling together many IIGCC members in support of the concept within clearly defined boundaries, and 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+, a global coalition engaging with the world's largest emitting companies. It is difficult to say with precision exactly how much influence we have exerted through such large and complicated networks – but our commitment is longstanding and we dedicated significant amounts of staff time to IIGCC projects.

Find it, Fix it, Prevent It

We are founder members of this investor coalition seeking to bring about a steep change in company responses to modern slavery. This engagement works with x 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 large issue as companies prefer to ignore bad news and under-estimate the scale of the problem. In 2020 our engagement with one company was successful in unearthing an example of forced labour in the supply chain, for which the company took responsibility and sought to make changes.

Votes Against Slavery

As noted in other areas of this report, 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 FTSE350 companies. In the most recent iteration of the project we saw 56 out of 61 target companies make real and substantive changes to their public report, becoming compliant with the UK regulation.

Collaborating for policy influence

As previously mentioned, we have a clear policy enabling us to participate in collative actions calling for regulatory or policy changes on ESG best practice and RI. By way of an example, we co-filed a submission with CCLA 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, four years on, there continues to be low levels of compliance and poor-quality reporting in companies' modern slavery and trafficking statements.

For this reason, the response 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.

Principle 11

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

Whilst engagement with companies has been a mainstay of our stewardship approach for many years, in 2020 we renewed and strengthened our commitment in our new Responsible Investment policy. This stated that we are committed to engagement with consequences – an explicit endorsement of the necessity for escalation. This is best expressed graphically, using the graphic from Principle 9.

Source: Rathbones

Not all engagements must move through this process to reach the ultimate aim of losing their investment recommendation, but the majority do follow this process. Escalation is discussed at the monthly engagement committee meetings, and strategy approved by the Responsible Investment Committee.

To give an example of escalation in practice: In 2020, we noticed several international companies maintaining a combined CEO and chair, something which our voting policy seeks to redress. Following informal dialogue with issuers and the reluctance to discuss the matter seriously, we decided to review all our international holdings to identify all centrally held stocks maintaining a combined CEO and chair. We then wrote a formal letter before the start of the AGM season in 2021 explaining our voting stance and calling for action. This resulted in several helpful dialogues, for instance with Umicore and Credit Suisse, but also several companies failed to respond in good time and hence received negative votes from us at their AGM, such as at Adobe and Amazon. In 2022 we expect meetings with management on the issue.

Our recent engagement with the banking sector also highlights our escalation process. We were involved in discussions with the NGO ShareAction in the run up to the Barclays AGM in 2020 regarding the bank's financing policies for high carbon impact sectors. We did not consider the issues significant enough to co-file with ShareAction at the time, but were pleased to attend meetings with senior management and support the resolution at the AGM. This triggered an investigation of all our banking holdings to ensure we were holding them to the same standard and, in dialogue with ShareAction, HSBC was identified as a laggard. Having only voted on a shareholder resolution at Barclays, we determined the issue to be severe enough to warrant a co-filing from our central nominee. In the past, we had only co-filed for individual clients, but took the step in 2020/21 of co-filing for all our holdings in the bank. The co-filing process triggered much negotiation with the company and a securing of concessions sufficient for us to withdraw the resolution.

We take into account local regulation and culture when deciding on next steps for our engagements. By way of example, co-filing a shareholder resolution is much more straightforward in the US compared to the UK but carries less impact initially, and is more of a multi-year commitment. We have adopted the stance of supporting others' efforts in the US whilst using our expertise and in-depth knowledge of resolution co-filing in the UK market.

This escalation process works well for listed equities where formal voting rights have an important place. We find engagement with boards works just as well for collectives, but is less effective for other asset classes including fixed income. We are exploring options for the development of robust escalation strategies in the fixed income areas, starting with a more formal process of dialogue with boards to make the issues of bond holders known. However, fixed income assets are a proportionally small part of our investment exposure, and many of the issues overlap where we have exposure to the parent company. Given the more direct influence we have as shareholders as opposed to bond holders, we prefer to engage via our equity holdings.

Under IIGCC's corporate engagement programme / CA100+ we note several examples of escalation undertaken by others on our behalf. These include formal AGM statements at the meetings of TotalEnergies (May 2020) and BP (May 2020) made on behalf of all CA100+ members.

Principle 12

Signatories actively exercise their rights and responsibilities.

Our exposure is mainly in direct equities in the US and Europe, highly developed markets with good standards of corporate governance, hence our focus on proxy voting as the main way we execute our stewardship responsibilities, supplemented by our engagement work. As a bespoke asset manager investing mainly directly on behalf of our clients, we have a high degree of visibility on what shares and voting rights we have. Our holdings are held in our nominee company which means we actively receive proxy notices and voting cards from our underlying companies.

We have identified fixed income as a priority area. In 2020 we prioritised the training of our fixed income analysts on ESG integration issues, with a view to enabling better interaction with issuers on ESG matters. We also established a process for joining bond holder meetings, although this function has not been tested in the reporting period.

In both fixed income and equity, we see our role of either debt holders or shareholders as a privileged one which comes with certain rights of access to senior management. In order to meet both our core investment management responsibilities and our stewardship duties, we organised 460 direct meetings with companies in 2020.

We make our bespoke voting policy available on our website.

www.rathbones.com/sites/rathbones.com/files/imce/rathbones_-_rim_voting_policy_2021_v9.pdf

All votes under the RIM custodian are entered according to the recommendations of our bespoke policy. Whilst there is a fair degree of overlap between our bespoke policy and the default ISS policy given that both seek to promote best practice in corporate governance, we never follow the service provider's recommendations as a default.

In both RIM and RUTM, the recommendations of the service provider made on the basis of the default sustainability policy are subject to review by those closest to the investment management side of the equation. In RIM, this means review and consultation by the lead analyst for the stock and the largest holders. In RUTM, this means review by the fund manager and the lead research analyst. In neither case do we implicitly follow the voting recommendation without challenge.

In RIM, we have set out a clear procedure for clients to submit specific voting instructions via their investment manager, a process which is well used. Investment managers routinely submit votes which deviate from the house view for specific client holdings. We have no issue submitting mixed votes through our nominee (with a mixture of votes for, against or abstain, if that is the wish of the client). This applies to direct clients in our bespoke business including our charity clients. We have no current procedure for unitholders in RUTM to express their views beyond contact through IFA channels (as reported under Principle 6 where we describe RUTM's distribution channels) but we are working actively to address this issue.

Further, as a private wealth manager, many of our clients are high net worth individuals who hold senior positions in company boards and are major shareholders. We maintain a register of interests which alerts the stewardship team to the existence of the major shareholder, so that their shares are not voted against their specific instructions. This process also ensures that large holders do not unduly influence the group proxy voting decision.

We do not operate pooled accounts. The vast majority of our assets are held in discretionary mandates where we exercise all ownership rights on their behalf; however, as explained above, we actively seek and executive specific voting instructions on a routine basis.

Rathbones does not offer a stock lending service.

Across RIM and RUTM we voted on 10,077 resolutions at 786 company meetings in 2020. It is once again worth bearing in mind our business model before delving into the details. Whilst the majority of our clients are fully discretionary, a small but significant number are what we term 'execution only', meaning that their investments are held in the Rathbone nominee accounts, but we do not have the right to vote on their behalf. Again, in the private client world we are constantly bringing on new clients who bring over their existing holdings. As explained above, we have decided to vote actively on our biggest and most widely held companies.

Overall, our voting approach sees us vote on 95.02% of Total Discretionary Equities and Investment Trusts assets under management. The remaining 4.98% represent a very large number of small holdings where we do not have sufficient resource to proactively vote. However, we commit to voting on any of these holdings where instructed by the client.

We present a sample of voting decision rationales below:

Procter & Gamble

Issue: Preventing deforestation will be key to mitigating the risks of global warming, as rainforests act as a vital carbon sink. Companies found to be contributing to deforestation face substantial competition and reputational risks, both of which could harm long-term shareholder value. A number of the company's tier 1 palm oil suppliers have links to illegal deforestation and have failed to meet internationally recognised deforestation standards. According to WWF's Palm Oil Buyers Scorecard, the company is not 100% covered by the Roundtable on Sustainable Palm Oil (RSPO) for sourcing certified sustainable palm oil.

Process: We decided to support the ESG shareholder resolution calling for better visibility of the company's efforts to eliminate deforestation from its entire supply chain. We would argue that such a step is necessary given that the company uses both palm oil and forest pulp, both of which are recognised as large contributors to deforestation.

Outcome: The resolution passed with a majority in excess of 66.5%. This resolution gained one of the highest levels of support for an ESG shareholder resolution last year. The company will now be expected to issue a report assessing if and how it can increase the scale, pace, and rigour of its efforts to eliminate deforestation and the degradation of intact forests in its supply chains. In the US, any shareholder resolution that gains support of more than 50% is passed, although these resolutions are not binding and the company does not have to implement any changes if it does not wish to do so. That said, the board will struggle to ignore such high levels of shareholder support given changing attitudes towards climate change.

Royal Dutch Shell

Issue: At the company's AGM, a number of the Royal Dutch Shell's shareholders put forward a resolution requesting that it set and publish targets that are aligned with the Paris Agreement's global temperature targets. These corporate targets need to cover the greenhouse gas emissions of the company's operations and the use of its energy products (scope 1, 2 and 3); to be short-, medium- and long-term; and to be reviewed regularly in accordance with best available science. Our external proxy advisers recommended that we support the resolution.

Process: Ahead of the AGM, the IIGCC – of which Rathbones is a member – had a number of fruitful discussions with the company's senior management team. It was felt that the company had made significant progress in this area and such a resolution would be particularly restrictive. In particular, the company made a commitment to achieve net zero emissions for scope 1, 2 and 3 by 2050 or sooner. We believe that this pledge by the board could have a profound effect on the way other companies within the oil and gas sector view their own commitments to addressing climate change and safeguard the future of their businesses. Following these meetings, the voting committee discussed the resolution with Greenbank, our ethical and sustainable investment specialist team at Rathbones, and felt we should vote against the resolution on account of the commitment made by the company. A number of the company's larger shareholders also took this position.

Outcome: The shareholder resolution gained just 13.8% support. Although we voted against the resolution, we asked the board to continue to clearly disclose to investors the interim steps it has taken to meet these commitments and to further link executive pay practices to the delivery of these long-term ambitions. The IIGCC said that it agreed with Shell that it is essential that the Transition Pathway Initiative (TPI) can assess their new commitments.

Johnson & Johnson

Issue: Johnson & Johnson's ongoing sale of opioids presents considerable legal and reputational risks. In 2019, the company was ordered to pay US$572 million for playing down the dangers of opioids and engaging in false marketing. In addition, it offered to pay US$5 billion by 2020 to settle multi-jurisdictional lawsuits alleging that it contributed to the opioid crisis. According to a report by the Centers for Disease Control and Prevention (CDC), opioid abuse caused an average of more than 130 US overdose deaths per day as of 2017.

Process: We decided to support a shareholder resolution calling for the board to report on the corporate governance measures Johnson & Johnson has implemented since 2012 to effectively monitor and manage financial and reputational risks related to the opioid crisis given its sale of opioid medications. The resolution also called on the board to report on whether increased centralisation of Johnson & Johnson's corporate functions provides stronger oversight of such risks and changes in how the board oversees opioid-related matters, how incentive compensation for senior executives is determined, and how the board obtains input regarding opioids from stakeholders. Given the potential legal and reputational risks facing the company, we believe it is imperative that the board improves disclosure on the steps it is taking to ensure compliance with the law and on how it is aligning executive remuneration with these issues.

Outcome: The resolution passed with 56.7% support. As a result, the board will be expected to create a report on governance measures that the company has implemented since 2012 to manage risks related to the opioid crisis. This was one of the few ESG shareholder resolutions in the US to receive over 50% support. The shareholder resolution calling for an independent board chair received 41.6% support. This is an increasingly popular governance-related shareholder resolution at US companies and, on this occasion, it achieved one of the highest levels of support for this type of resolution. We believe this shows that shareholders are particularly concerned about the current arrangements at the company and feel the separation of roles between the CEO and board chair will contribute to better long-term risk management.

Home Depot

Issue: Diversity is a key governance concern in the companies in which we invest, given there is evidence that more diverse boards can lead to outperformance. Companies that fail to improve reporting on their diversity practices could face significant reputational and operational risks. In addition to this, improved diversity representation and practices could lead to an improved culture and increase the company's capacity for long-term value creation. While Home Depot has made significant steps to improve its diversity disclosure, it fails to produce equal opportunity disclosures for its shareholders even though it files this information with the Equal Employment Opportunity Commission.

Process: We supported the shareholder resolution calling on the board to report on its diversity policies. The resolution, if approved, would require the board to create a chart identifying employees according to their gender and race in the nine major equal employment-defined job categories for the past three years. The board would also be required to list the numbers or percentages in each category, provide a summary description of any affirmative action policies and programmes to improve performance, including job categories where women and minorities are underutilised, and produce a description of policies and programmes oriented towards increasing diversity in the workplace. We felt the production of a diversity report would improve disclosure around the company's current diversity policies and practices, and provide shareholders with greater transparency regarding its efforts in this area beyond that which is already available.

Outcome: The resolution failed to pass, but gained 35% support from shareholders. This is an encouraging level of support for a social shareholder resolution. Two other governance-related shareholder resolutions were put forward, gaining 26.1% and 32.6% support.

Ferguson

Issue: Due to the COVID-19 pandemic, Ferguson was forced to make 2,100 redundancies and close 94 branches. Despite these redundancies, senior management received bonus payments ranging between 62% and 71% of their maximum levels. It is understandable that companies are having to implement cost-cutting mechanisms as a result of the ongoing pandemic.

Nevertheless, we find it deeply concerning that no discretion was used to lower the annual bonus pay-outs for senior management given that the company had to make deep cuts. Ferguson needs to balance its duties to all stakeholders, taking into consideration its social licence to operate which includes an adequate consideration of impacts on employees as well as shareholders. There is a risk that this could exacerbate tensions between staff and senior management, and potentially undermine morale and have a detrimental effect on the operational culture.

Process: This issue was heavily debated by the fund managers at Rathbones. Some of the fund managers felt that the company had done enough to warrant support and the senior management needed to be properly remunerated for navigating the business through the pandemic. We discussed this at length on the voting committee and agreed that the company's performance had been strong; however, we still felt senior management remuneration should have been reduced as a result of the redundancies. We therefore voted against the remuneration report at the AGM.

Outcome: Ferguson's remuneration report received a 21.85% vote against. The company has been added to the Investment Association Public Register which tracks shareholder dissent at listed companies. We have updated our bespoke voting policy to trigger a 'refer' (where our internal committee is required to discuss this issue) when remuneration committees have failed to use discretion in the awarding of bonuses when significant redundancies and lay-offs have been made.

Tesco

Issue: At its 2020 AGM, Tesco's remuneration committee decided to adjust the total shareholder return (TSR) comparator group under its 2018 financial year performance share plan awards, which vested in 2021. The remuneration committee removed Ocado from their peer group, making it appear as though Tesco had outperformed its competitors by a 3.3% premium to the index, rather than underperforming by 4.2% if Ocado had remained in place. This adjustment caused a considerable uplift to the level of awards paid out to the departing CEO and the CFO, increasing both awards by 15.4%. The amendment of in-flight performance conditions is generally considered to be poor practice in the UK and changes to TSR comparator groups should only be done to take account of M&A activity. The board claims that the change was to account for Ocado's move away from a retail-focused business towards a technology-focused business during the performance period.

Process: Having discussed this issue on the voting committee and with the fund managers with the largest holdings, we decided to vote against the remuneration report and raise our concerns with the board chair. We felt that, while Ocado has indeed diversified, retail is still the main driver for the company. The board knew about Ocado's business plan at the time the 2018 performance share plan was set and therefore this should not have come as a surprise to them. Further, removing Ocado appeared to be of considerable benefit to the executive directors given Ocado's exceptional performance during the 2018 calendar year, to which this pay-out in question relates. As this adjustment has substantially increased the payouts to the executive directors, we feel the board has deviated from best practice and placed the company at risk of severe reputational damage in a time of great economic uncertainty for many of its customers.

Outcome: The remuneration report received a vote of 67.29% against. This was the second-largest vote against pay during the UK AGM season. As the vote on the remuneration report is advisory, the resolution passed despite receiving more than 50% opposition. However, the company has been placed on the Investment Association Public Register.

With regard to our fixed income assets, our fixed income team review holdings on a regular basis. Their review includes a consideration of seeking amendments to terms and conditions in indentures or contracts where this is deemed to be in the best interests of the underlying holders. While no formal process exists, consideration of the terms and conditions forms part of the regular review of suitability of holdings under our well-defined research process.

The above summarises our approach to meeting the requirements of the Stewardship Code in 2020. For more information on current activities and to view our live voting reporting website, please view Responsible Investment | Rathbone Investment Management (rathbones.com)

We welcome any feedback or questions about our Stewardship activities. Please contact us using stewardship@rathbones.com for any detailed queries.

Appendix I

Status / outcome of direct engagement calendar year 2020

Company	Issues discussed	Status
Abbott Laboratories	ESG Shareholder Resolution(s)	Monitor
AbbVie Inc	ESG Shareholder Resolution(s)	Monitor
Activision Blizzard Inc	Executive Pay/Political Contributions/Board Composition	Monitor
Adidas AG	Board Composition/Auditor Tenure	Monitor
Adobe Systems Inc	Board Composition/Auditor Tenure/Diversity & Inclusion	Monitor
ALCON AG	Shareholder Rights/Board Composition	Monitor
Alibaba Group Holding Ltd	Board Composition	Monitor
Alliance Trust PLC	Board Composition	Completed
Alphabet Inc	Board Composition/Executive Pay/ESG Shareholder Resolution(s)	Monitor
Altria Group Inc	Executive Pay/Lobbying Activities/ESG Shareholder Resolution(s)/Auditor Tenure	Monitor
Amadeus IT Group SA	Board Composition	Monitor
Amazon.com Inc	ESG Shareholder Resolution(s)/Human Rights/Board Composition/Auditor Tenure	Monitor
Amphenol Corp	Board Composition/Auditor Tenure/Shareholder Rights	Monitor
Apple Inc	ESG Shareholder Resolution(s)	Monitor
Ashtead Group PLC	Executive Pay	Monitor
Australia and New Zealand Banking Group Ltd	Climate Change/Auditor Tenure	Monitor
AVEVA Group PLC	Executive Pay/Board Composition	Monitor
AVI Japan Opps Trust PLC	Board Composition	Completed
Baillie Gifford Europe Growth Trust	Board Composition	Monitor
Barclays PLC	Climate Change	Monitor
BB Biotech AG	Shareholder Rights/Board Composition/Auditor Tenure	Monitor

Company	Issues discussed	Status
BB Healthcare Trust PLC	Board Composition	Completed
Becton Dickinson & Co	Shareholder Rights	Monitor
Beiersdorf AG	Shareholder Rights/Board Composition	Monitor
Berkshire Hathaway Inc	Board Composition/Diversity & Inclusion/ Executive Pay	Monitor
BHP	ESG Shareholder Resolution(s)	Completed
boohoo.com PLC	Modern Slavery	Awaiting Response
boohoo.com PLC	Audit Concerns	Completed
Boral Ltd	Board Composition	Monitor
Boston Scientific	Board Composition/Auditor Tenure	Monitor
Bovis Homes Group PLC	Executive Pay	Completed
BP PLC	Executive Pay	Completed
British American Tobacco PLC	Executive Pay/Climate Change	Monitor
Bunzl PLC	Board Composition	Completed
CADENCE DESIGN SYSTEMS INC	Shareholder Rights	Monitor
Carnival PLC	Modern Slavery/Board Composition	Monitor
Ceres Power Holdings PLC	Audit Concerns/Shareholder Rights	Monitor
Chevron Corp	ESG Shareholder Resolution(s)/Auditor Tenure	Monitor
Cisco Systems Inc	Board Composition/Combined Chair CEO	Monitor
Citigroup Inc	Shareholder Rights/Auditor Tenure	Monitor
CME Group Inc	Board Composition	Completed
Coca-Cola Co	ESG Shareholder Resolution(s)	Monitor
Codemasters	Executive Pay	Monitor
Colgate-Palmolive Co	Board Composition/Shareholder Rights	Monitor
COOPER COS INC	Auditor Tenure	Monitor

Company	Issues discussed	Status
DAVIDE CAMPARI-MILANO	Executive Pay/Shareholder Rights/Equity Issuance	Monitor
Diageo PLC	Executive Pay	Completed
DiaSorin SpA	Executive Pay/Shareholder Rights/Board Composition	Monitor
easyJet PLC	Board Composition	Completed
EQUINOR ASA	Climate Change/Executive Pay	Monitor
Estee Lauder Companies Inc	Board Composition	Monitor
Exxon Mobil Corp	Board Composition/ESG Shareholder Resolution(s)/Auditor Tenure	Monitor
FERGUSON PLC	Executive Pay	Monitor
Franklin Templeton Emerging Markets Investment Trust	Pre-Emption Rights	Completed
FRESENIUS SE & KGAA	Board Composition	Monitor
Gabelli Value Plus+ Trust PLC	Board Composition / Wind up of trust	Monitor
GALLIFORD TRY HOLDINGS PLC	Executive Pay	Completed
General Mills Inc	Board Composition	Completed
Givaudan SA	Amendment of Company Bylaws	Monitor
GlaxoSmithKline PLC	Executive Pay	Monitor
GLOBAL PAYMENTS INC	Board Composition	Monitor
Halma PLC	Executive Pay	Completed
HANNON ARMSTRONG	Shareholder Rights/Auditor Tenure	Monitor
Heineken NV	Shareholder Rights/Board Composition	Monitor
Herald Investment Trust PLC	Board Composition	Completed
Hermes International SA	Board Composition/Executive Pay/Pre-Emption Rights/Audit Report	Monitor

Company	Issues discussed	Status
HIGHBRIDGE TACTICAL CREDIT FD	Board Composition	Monitor
Hiscox Ltd	Board Composition	Monitor
Honeywell International Inc	ESG Shareholder Resolution(s)/Board Composition	Monitor
Impax Asset Management Group PLC	Board Composition	Monitor
Informa PLC	Pre-Emption Rights / Executive Pay	Monitor
Intel Corp	Executive Pay/Auditor Tenure/Shareholder Rights	Monitor
InterContinental Hotels Group PLC	Executive Pay	Completed
International Biotechnology Trust PLC	Audit Contract/Pre-Emption Rights	Completed
Intertek Group PLC	Executive Pay	Monitor
Intuitive Surgical Inc	Executive Pay	Monitor
Jardine Matheson Holdings Ltd	Board Composition	Monitor
John Laing Environmental Assets Group LTD	Pre-Emption Rights	Monitor
Johnson & Johnson	Auditor Tenure/ESG Shareholder Resolution(s)	Completed
Johnson Controls International PLC	Combined Chair CEO/Auditor Tenure	Monitor
JPM Emerging Markets Investment Trust	Board Composition	Monitor
JPMorgan Chase & Co	Board Composition/Climate Change	Monitor
Keller Group PLC	Executive Pay	Monitor
Kering	Board Composition/Executive Pay	Monitor
Linde PLC	Auditor Tenure	Monitor
Lloyds Banking Group PLC	Executive Pay	Completed

Company	Issues discussed	Status
Lockheed Martin Corp	Shareholder Rights/Auditor Tenure	Monitor
L'Oreal SA	Auditor Tenure	Monitor
LVMH Moet Hennessy Louis Vuitton SE	Executive Pay/Board Composition	Monitor
Marsh & McLennan Companies Inc	Auditor Tenure	Monitor
Mastercard Inc	Auditor Tenure	Monitor
McCormick & Co Inc	Board Composition/Auditor Tenure	Monitor
Meggitt PLC	Executive Pay	Completed
Melrose Industries Plc	Executive Pay	Monitor
Microsoft Corp	Auditor Tenure	Monitor
Moncler SpA	Amendment of Company Bylaws	Completed
Mondelez International Inc	Board Composition	Monitor
Monks Investment Trust	Board Composition	Completed
National Grid PLC	Executive Pay/Board Composition/Climate Change	Monitor
Nestle SA	Shareholder Rights/Board Composition/Auditor Tenure	Monitor
Netflix Inc	Board Composition/Executive Pay/ESG Shareholder Resolution(s)	Monitor
Next PLC	Executive Pay	Completed
Nike Inc	Human Rights	Completed
North Atlantic Smaller Companies Investment Trust	Board Composition/Shareholder Rights	Monitor
NORTHERN TRUST CORP	Board Composition	Monitor
Novartis AG	Board Composition	Monitor
Pacific Industrial Logistics	Board Composition	Monitor
Pantheon International PLC	Executive Pay	Completed

Company	Issues discussed	Status
PayPal Holdings Inc	ESG Shareholder Resolution(s)/Human Rights/Board Composition	Monitor
PepsiCo Inc	ESG Shareholder Resolution(s)/Board Composition/Auditor Tenure	Monitor
Pernod Ricard SA	Board Composition	Monitor
Pfizer Inc	Auditor Tenure/ESG Shareholder Resolution(s)	Monitor
Plus500 Ltd	Executive Pay	Monitor
Polar Capital Technology Trust	Board Composition	Completed
Princess Private Equity Holding LTD	Auditor Tenure	Monitor
Procter & Gamble Co	Auditor Tenure/Board Composition/ESG Shareholder Resolution(s)	Monitor
PRUDENTIAL FINANCIAL CORP	Board Composition/Executive Pay	Completed
Renishaw PLC	Executive Pay/Shareholder Rights	Monitor
RIT Capital Partners PLC	Executive Pay/Board Composition/Pre-Emption Rights	Monitor
Royal Dutch Shell PLC	Climate Change	Completed
S&P Global Inc	Auditor Tenure	Monitor
Sampo Oyj	Board Composition	Monitor
Schlumberger Ltd	Board Composition/Auditor Tenure	Monitor
Schroder Income Growth Fund	Board Composition	Completed
Scottish Oriental Smaller Companies Trust PLC	Shareholder Rights	Monitor
Segro PLC	Executive Pay	Completed
SGS SA	Board Composition	Monitor
Smart Metering Systems PLC	Shareholder Rights	Monitor

Company	Issues discussed	Status
SPOTIFY TECHNOLOGY	Board Composition/Executive Pay	Monitor
SQN Asset Finance Income Fund	Board Composition/Audit Concerns/ Shareholder Rights	Completed
Standard Life PLC	Shareholder Rights	Completed
STERIS PLC	Auditor Tenure	Monitor
Swiss Re AG	Board Composition/Shareholder Rights	Completed
Target Healthcare REIT	Shareholder Rights	Completed
Tatton Asset Management PLC	Board Composition	Completed
Tencent Holdings Ltd	Board Composition/Pre-Emption Rights	Monitor
TESCO PLC	Executive Pay	Monitor
Tesla Motors Inc	Executive Pay/ESG Shareholder Resolution(s)	Monitor
Texas Instruments Inc	Board Composition/Auditor Tenure	Monitor
The City of London Investment Trust PLC	Auditor Tenure	Monitor
The Home Depot Inc	ESG Shareholder Resolution(s)/Auditor Tenure/Board Composition	Monitor
Tomra Systems ASA	Board Composition	Monitor
Total SA	Board Composition/Climate Change	Monitor
TR European Growth Trust	Board Composition	Monitor
TravelSky Technology Ltd	Executive Pay / Board Composition	Monitor
UMICORE	Board Composition/Auditor Tenure	Monitor
Unilever	Executive Pay	Completed
US Bancorp	Board Composition	Monitor
Verizon Communications Inc	ESG Shareholder Resolution(s)/Board Composition	Monitor
Victrex PLC	Executive Pay	Monitor
Visa Inc	Board Composition	Completed

Company	Issues discussed	Status
Vivendi	Executive Pay/Board Composition	Monitor
Vodafone Group PLC	Board Composition	Monitor
Walt Disney Co	Executive Pay/Auditor Tenure	Monitor
Witan Investment Trust	Board Composition	Completed
Xylem Inc	Shareholder Rights	Monitor

Appendix II

Status / outcome of collaborative engagement calendar year 2020

Engagement name	Company	Issues discussed	Status
FAIRR Initiative's Investor Action on AMR Initiative	Abcam (HLD), Alliance Pharma (NC), AstraZeneca (REC), Clinigen (HLD), Dechra Pharmaceuticals (REC), Ergomed (NC), Genus (HLD), GlaxoSmithKline (HLD),	AMR	Monitor
Letter to top mining companies on indigenous community rights and social licence	71 international mining companies — Anglo-American, BHP & Glencore	Human Rights	Monitor
Human Rights Risks in Xinjiang Uyghur Autonomous Region	Adidas (NC), Burberry (COV), Carter's, Caterpillar (apparel), Gap, H&M, Inditex/Zara (NC), L Brands, Li-Ning, Marks and Spencer (NC), Muji (Ryohin Keikaku Co.), Nike (REC), Puma, PVH (EXCL), Ralph Lauren, Skechers (NC), Under Armour, UNIQLO (Fast Retailing Co.), VF (North Face), Amazon (REC), Apple (REC-COVr), Google/Alphabet (REC-COVr), Hewlett-Packard HP (NC), Hikvision, Hitachi Ltd. (NC), Intel Corp (COV), Microsoft (REC-COVr), Nintendo (NC), Panasonic (NC), Samsung (NC), Seagate Technology PLC (NC), Siemens (COV), Sony (NC), Western Digital (NC), Thermo Fisher (NC), Coca-Cola (NC-REC), Kraft Heinz (NC), Alstom (NC), General Motors (NC), Volkswagen (NC), Walt Disney Company (COV)	Human Rights	Monitor
CA100+ — SSE Virtual AGM	SSE	Climate Change	Completed

Engagement name	Company	Issues discussed	Status
Investors, Migrant Labour, Modern Slavery & COVID-19	Equinor, Exxon Mobil Corporation, McDonald's, Royal Dutch Shell, Schlumberger, Total SA	Modern Slavery	Monitor
Find it, Fix it, Prevent it	Mitchells & Butlers, Greggs	Modern Slavery	Monitor
IIGCC's letter calling for a sustainable recovery in the EU	EU Leaders	EU Green Deal	Monitor
Business Groups CEO resilient recovery letter	UK Prime Minister	UK economic recovery plans	Completed
Engage with FTSE 350 companies failing to comply with section 54 of the Modern Slavery Act 2015	888 Holdings Plc, AJ Bell Plc, Aggreko Plc, BBGI Sicav S.A, Brewin Dolphin Holdings Plc, Cairn Energy Plc, Carnival Plc, Centrica Plc, Dechra Pharmaceuticals Plc, Greggs Plc, IWG Plc, Mitchells & Butlers Plc, Plus500 Ltd, PMO Premier Oil Plc, Pollen Street Lending Plc, Polymetal International Plc, RHI Magnesita NV, Safestore Holdings Plc, Spirent Communications Plc, Sports Direct International Plc, TI Fluid Systems, Grainger Plc	Modern Slavery	Completed
Investor expectations statement of airlines and aerospace companies on climate change	Airlines / Aerospace	Climate Change	Monitor

Engagement name	Company	Issues discussed	Status
Letter to the SEC on the proposed changes to shareholder proposals and proxy advisory firms	Securities and Exchange Commission	Proxy Voting Rights	Completed

Appendix III

Voting record calendar year 2020 – RIM

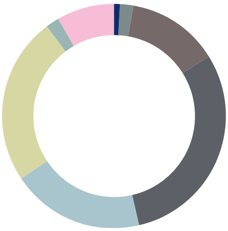
	For	Abstain	Against	Meetings	Resolutions
Jan	97.87%	0%	2.13%	24	282
Feb	98.55%	0%	1.45%	32	413
Mar	95.49%	0%	4.51%	25	288
Apr	91.66%	0.18%	5.27%	61	1,139
May	95.99%	2.09%	3.57%	118	1,822
Jun	94.15%	0.12%	4.73%	64	804
Jul	98.82%	0%	1.18%	53	763
Aug	99.19%	4.88%	0%	15	123
Sep	98.50%	0%	1.50%	39	535
Oct	98.43%	0.39%	1.18%	23	256
Nov	99.30%	0%	0.7%	38	433
Dec	95.61%	0.78%	3.10%	40	387
Year AVG / total	**96.96%**	**0.70%**	**2.34%**	**532**	**7,245**

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 clients 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.

Sum of number of items voted against management

Proposal type category	Total
Anti-takeover related	2
Audit related	7
Capitalisation and shareholder rights	41
Directors related	91
Environmental and social	56
Executive pay	73
Mergers, acquisitions and takeovers	5
Routine / business	24
Grand total	**299**

Votes against management



Anti-takeover related	1%
Audit-related	2%
Capitalisation and shareholder rights	13%
Directors related	30%
Environmental and social	19%
Executive pay	24%
Mergers, acquisitions and takeovers	2%
Routine/business	8%

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 clients 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.

Appendix IV

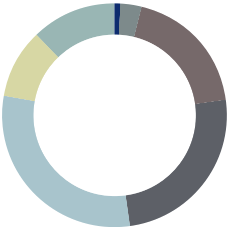
Voting record calendar year 2020 — RUTM

Proposal overview

Category	Number	Percentage (%)
Number of votable items	6093	
Number of items voted	5851	96.03%
Number of votes FOR	5568	95.16%
Number of votes AGAINST	247	4.22%
Number of votes ABSTAIN	26	0.44%
Number of votes WITHHOLD	13	0.22%
Number of votes on MSOP	317	5.42%
Number of votes With Policy	5831	99.66%
Number of votes Against Policy	23	0.39%
Number of votes With Mgmt	5557	94.98%
Number of votes Against Mgmt	298	5.09%
Number of votes on Shareholder	131	2.24%

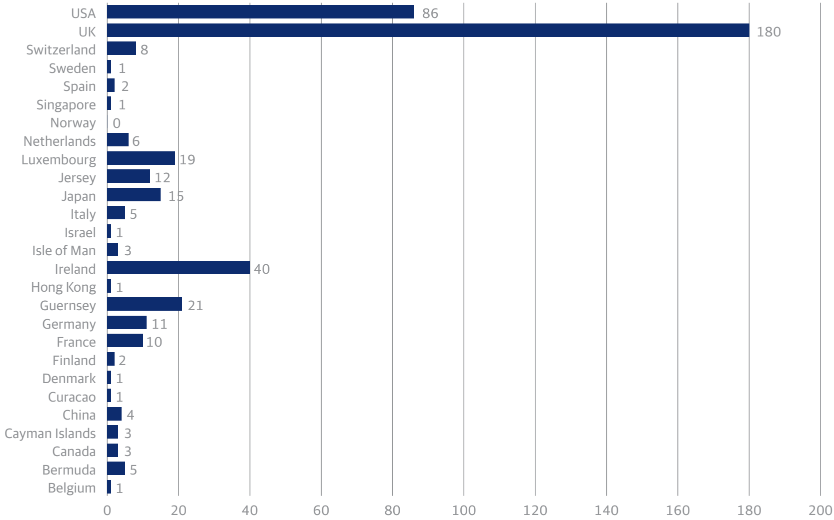
Note: The data provided are in summary form for general information about voting trends and do not reflect the specific votes entered at a specific company. For example, given our status as a private clients asset manager with very close links to our clients, it is entirely plausible (if not frequent) 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.

Votes against management 2020



Anti-takeover related	1%
Audit-related	3%
Capitalisation	19%
Directors related	25%
Non-salary comp	30%
Routine/business	10%
SH-Health/Environmental	12%

Voting meetings



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