



Rathbone Greenbank  
Global Sustainability Fund  
Annual review 2021

# Rathbone Greenbank Global Sustainability Fund

## Annual review 2021

From the moment we launched our fund in 2018, our focus was clear: we wanted to be completely open about how we choose investments and be able to show you how your money is making a difference.

We want to give you a clear rationale for all our holdings. We also want to share the carbon footprint of our fund and highlight some of the engagement work we do with the companies we own. We believe that providing this level of detail is critical when it comes to sustainable investing. We also believe that we are uniquely positioned to provide this, given our integral relationship with the Rathbone Greenbank ethical, sustainable and impact research team.



**David Harrison**  
Fund Manager

Rathbone Greenbank Global Sustainability Fund\*

\*Formerly known as the Rathbone Global Sustainability Fund.  
The name was changed to Rathbone Greenbank Global Sustainability Fund on 14 June 2021.



# “...owning quality businesses with a clear and demonstrable commitment to sustainability is more important than ever.”

The last 12 months has had a profound impact on all our lives. The pandemic has changed the way we live, work and communicate. It has also had a devastating impact on so many. At the time of writing, we are all moving forward with increasing hope of an end being in sight. It's uncertain what changes in society will persist as the world reopens, but it's clear to us that sustainability trends have accelerated in the last year and are more firmly embedded than ever before.

Our focus on owning quality companies – those with strong cash flow, more reliable earnings and less debt – was more important than ever for performance in 2020. As COVID-19 spread around the world and effectively shut down much of the global economy, we were able to quickly reach out to management teams and understand how they were reacting. We wanted to understand how their businesses would adapt to the changing environment and, even more critically, how they would think about all their stakeholders. We found a clear commitment to employees, supply chains and wider communities. Moreover, many of our companies' competitive positioning strengthened because of this long-term strategy: they remained partners for customers and suppliers when others were not and reaped the rewards.

While there has been significant government action around the world to promote investment in green infrastructure, we are also seeing an acceleration in many industries making these changes of their own accord. Because they realise that it's the best thing for the future of their business. A good example is the automotive industry. Companies are proactively investing in vehicle electrification technology

at a much faster pace than anybody could have anticipated 12 months ago. The same is true of the global power grid, with renewable energy making up 80% of all new generation capacity in 2020. Yet, in both cases we are still at the early stage of a long-term journey – electric vehicle penetration is still below 5% of the global transport fleet and renewables' share of power production is below 40%.

As more capital flows into the sustainability space we see a growing number of potential businesses to invest in. We can go anywhere in the world to find the best ideas. We can look at companies of all sizes (down to \$1 billion market cap), which means we can find some 'hidden gems' that are often underappreciated, misunderstood or just plain missed by the masses. This makes us very excited for the future. Yet, at the same time, we remain wary of 'greenwashing' – of companies pretending to be something they aren't. As the concept of sustainability has rocketed into the mainstream, we are increasingly seeing companies with poor principles and cultures trying to pass themselves off as well-intentioned. This is why our investment process and philosophy of only owning quality businesses with a clear and demonstrable commitment to sustainability is more important than ever. We want to invest on the evidence, not the bluster.

Performance was strong over the past year. Our fund gained 37.0%, versus the FTSE World Index's 33.9% return. Our Investment Association (IA) Global sector peer group was up 33.5%. We believe our focus on owning durable franchises with a clear commitment to sustainability should serve you well in the long run.

## Performance table – I-class to 30 April 2021

	3 months	6 months	1 year	2 years	Since launch
Rathbone Greenbank Global Sustainability Fund	3.32%	16.32%	37.01%	46.63%	51.16%
Quartile	4	3	2	1	1
IA Global sector	7.72%	20.20%	33.52%	32.46%	34.88%
FTSE World Index	9.93%	21.48%	33.87%	32.53%	37.13%

Source: FE fundinfo. Data as at 30 April 2021. Launch date 16 July 2018. The fund was renamed from the Rathbone Global Sustainability Fund on 14 June 2021.



# Meet the team

## Investment team



David Harrison is the lead fund manager of the Rathbone Greenbank Global Sustainability Fund, supported by Siyuan Lin and Neil Smith. He joined Rathbones in 2014 and has 20 years' experience in equity analysis and fund management, including positions at Hermes and Goldman Sachs. David holds the Investment Management Certificate and a BSc (Hons) in Economics and Politics from the University of Southampton. He is a (Chartered Financial Analyst) charterholder.



Siyuan Lin is a global equity analyst who researches sustainable investment ideas for the fund. She joined Rathbones in April 2013, having worked as a research analyst for three years in Martin Currie's emerging market team. She holds the Investment Management Certificate and is a CFA (Chartered Financial Analyst) charterholder.



Neil Smith is a research assistant, he works closely with David and the team to provide in-depth investment analysis with a focus on sustainable investment. He graduated from Plymouth University with a BSc in Law and Politics. Neil has over eight years' experience working for Rathbone Unit Trust Management. He holds the Investment Management Certificate.

## Ethical, sustainable and impact research team



Kate Elliot 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 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 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 environmental, social and corporate governance (ESG) and impact reporting for clients. She holds an MSc in Environmental Technology from Imperial College London and a BSc in Geographical Sciences from the University of Bristol.



Kai Johns joined the ethical research team 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 is an assistant researcher within the ethical, sustainable and impact research team. She joined Rathbone Greenbank as an intern in March 2020 after graduating from Durham University with a BSc (Hons) in Anthropology.

## Stewardship and corporate governance team



Matt Crossman is the stewardship director for the group. Overseeing the work of our Stewardship Committee, he ensures active voting at company AGMs (Annual General Meetings), whilst also being the group lead on the integration of environmental, social and governance factors into the investment process. Matt also leads thematic engagement with companies on ESG issues, especially those that are undertaken via the UN-backed Principles for Responsible Investment.



Archie Pearson joined Rathbones in 2018 as a voting and governance analyst. He supports Matt Crossman, on 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 and Ireland office. Archie graduated in 2015 from the University of Edinburgh with a masters in Theology.

# Sustainability spotlight

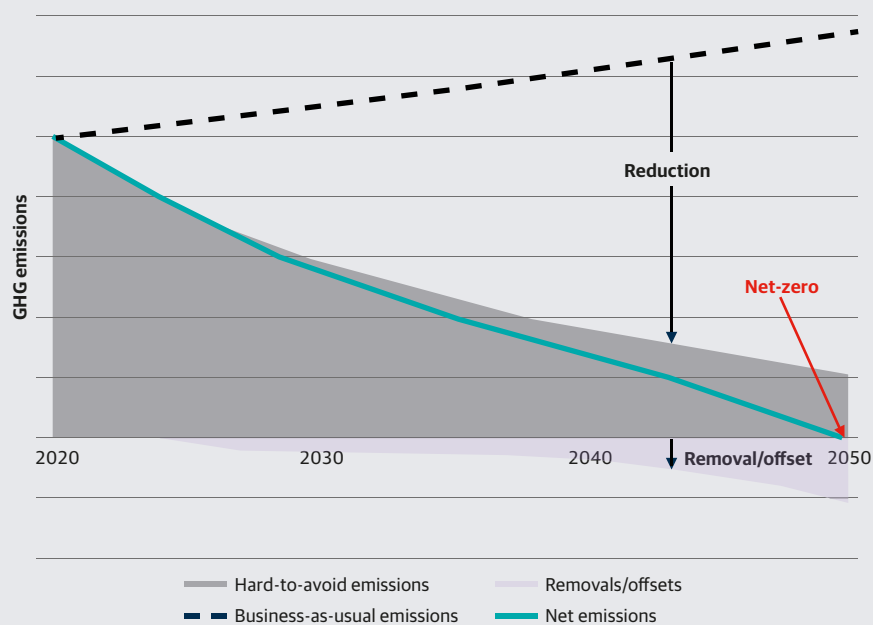
## 2020 was the year the world went net-zero – in ambition at least

What had previously been a steady flurry of corporate decarbonisation targets among leading organisations snowballed into the mainstream, with the likes of Royal Dutch Shell and Rio Tinto joining the 'net-zero' club. But, as with almost every sustainability issue that we look at, the devil is in the detail as to what these ambitions mean and how they will be translated into action.

### What is net-zero?

A net-zero target is one that is in line with global efforts to limit warming to no more than 1.5C above pre-industrial levels – a level where the scientific consensus suggests we stand a good chance of avoiding the worst effects of climate change. This pathway requires a halving of greenhouse gas emissions by 2030 and reaching net-zero emissions by 2050.

Net-zero is not only about cutting emissions. Even under the most ambitious reduction plans, there will always be some level of residual emissions that are difficult or impossible to eliminate. Carbon offsets and negative emissions technologies will therefore play a critical role in reaching net-zero, as the chart below illustrates. These removals could take the form of natural carbon sinks such as soil, forests or the oceans. Or they could involve technological interventions such as carbon capture and sequestration.



Illustrative net-zero pathway



“It is important to look beyond the headlines to understand what the real-world impact of a company’s commitments will be...”

### Company action

According to the Science Based Targets initiative (SBTi), over 500 companies worldwide have set, or are committed to setting, net-zero targets. These include companies within the fund such as:

**Mastercard:** The global payments company has committed to reducing scope 1 and 2 emissions by 28% between 2016 and 2025, with a longer-term target to reach net-zero by 2050.

**Kone:** A leader in elevators, escalators and automatic doors, the group is aiming to reach carbon neutrality by 2030 through a 50% reduction in scope 1 and 2 emissions alongside a 40% reduction in the lifecycle emissions linked to its products and services. Remaining emissions will be offset.

**Ørsted:** The Danish energy group aims to be carbon neutral within its operations by 2025 and to meet the same goal across its supply chain and energy trading operations by 2040. Its 2025 ambition includes a 98% reduction in emissions, through measures such as phasing out the remaining coal used in its energy generation, the installation of 20GW in renewable energy capacity and switching its company car fleet to electric vehicles.

Of course, not all net-zero targets are equal. It is important to look beyond the headlines to understand what the real-world impact of a company’s commitments will be and whether this will result in the scale and pace of change needed to address climate change.

Key elements that we look for in determining whether a climate target is credible include:

**A focus on reducing emissions, with offsetting as a last resort.** This ensures that companies are addressing their real-world impacts to the best of their abilities, rather than shifting the burden of action onto others. In practical terms, it’s also important to remember that many technological interventions such as carbon capture and storage or direct air capture haven’t been affordably demonstrated at scale so targets that rely heavily on them are at greater risk of being missed. And if you’re looking at more natural offsetting techniques such as reforestation, then we simply do not have enough land to offset unabated emissions.

**Long-term objectives backed up by short- and medium-term targets.** 2050 is a long time away, particularly when you consider the average tenure of a CEO is around five years. Interim climate targets, ideally linked to executive pay, are therefore critical in ensuring continued progress against long-term goals.

**Covering key impact areas.** It’s often within the small print that you get a true picture of how ambitious a company is on climate. Headline commitments need to apply to the entirety of a company’s operations and, ideally, also key parts of its broader value chain that impact on the climate.





# Governance and stewardship update

An important aspect of sustainable investing for the Rathbone Greenbank Global Sustainability Fund is our approach to corporate governance and stewardship. As a signatory to the UK Stewardship Code, Rathbone Unit Trust Management is mindful of its responsibilities to its clients and seeks to be good, long-term stewards of the investments, which it manages on their behalf. The companies in which the fund invests must adopt best practice in corporate governance as we believe that doing so provides a framework in which each company can be managed for the long-term interests of its shareholders. Rathbone has developed a core set of guiding principles, which apply to our stewardship and governance-related activities:

**Materiality** – we recognise that governance and stewardship risks can be material to the performance and valuation of companies.

**Active voting** – we actively vote all shares held within the Rathbone Greenbank Global Sustainability Fund except where local regulations make voting impractical.

**Engagement** – active engagement with companies on governance issues, including writing to companies when voting against management, outlining our specific concerns.

**Transparency** – we will report annually on our stewardship activities. The latest report (Responsible investment report 2021) covering 2020 voting and our stewardship policy is available on our website [rathbonefunds.com](http://rathbonefunds.com)

## Proxy voting

The Rathbone Greenbank Global Sustainability Fund approaches each company meeting on a case-by-case basis using a combination of established best practice for each market and knowledge of the particularities of each company to reach a decision. In addition to this, the fund benefits from a sustainability-themed voting overlay. This ensures that voting on fund holdings will be consistent with the values of the fund and its sustainability criteria. The default position is to vote in favour of social and environmental proposals that seek to promote better disclosure and good corporate citizenship, while also enhancing long-term shareholder and stakeholder value. We will now discuss some examples of issues identified during the year where the fund has voted against management.



# “Engagement with companies is an important part of sustainable investing and we believe a collaborated approach is the most effective way to get companies to improve their ESG credentials.”

As a fund that invests in companies all over the world we come across a lot of differing approaches and practices when it comes to corporate governance and how a company is structured. Even though we are understanding about regional differences there are certain areas where we need to encourage best practice to protect our rights as shareholders. An example of this is around the independence of company boards and especially around the position of the Chief Executive Officer (CEO) and Chairman. We believe that it is most beneficial to a company to have these positions separated and not done by the same person. We are therefore consistent in our approach and vote against the re-election of individuals who perform both these roles. We also vote against directors who have several board positions across multiple companies as they can become over-boarded with these responsibilities and not be able to dedicate sufficient time to each position. We also encourage board director elections to be unbundled so that each appointment is voted on separately. This allows shareholders more power to vote against individual board members they believe to be unsuitable as opposed to having to either vote for or against the entire board. Across the year we had seven instances of board independence issues where we needed to vote against management.

Another important area that needs to be scrutinised every year by shareholders is around executive pay. When it comes to looking at the salaries and bonuses of company management it is important to consider both the amount of the award and the rationale behind it. For shareholders to be able to make an informed decision on this they need to have full disclosure around both short- and long-term targets that pay rises and bonuses were assessed against. Therefore, we vote against remuneration policies that we deem to be either excessive or lack the relevant disclosures to justify them. In the past year we have voted against six remuneration policies.

Finally, we also keep a close eye on any resolutions proposed by the board that could dilute the power of shareholders. We had one instance this year where a board proposed launching a new class of share that enjoyed additional powers. We voted against this proposal as we are firm believers in the one share, one vote principle that all shareholders should enjoy.

## Engagement

Engagement with companies is an important part of sustainable investing and we believe a collaborative approach is the most effective way to get companies to improve their ESG credentials. Rathbones is a member of the UN-backed Principles for Responsible Investment (PRI) meaning that we are able to engage

with other members on a wide range of ESG issues through its collaboration platform. Within Rathbones, the fund has representation on the internal committee that works with the PRI on some of their engagements.

As mentioned in last year's report the fund has been involved with an engagement looking at the responsible sourcing of cobalt with particular focus in the Democratic Republic of Congo (DRC). The fund is part of the lead investor effort engaging with Microsoft to improve their supply chains, reporting standards and collaboration with the local government to improve working conditions. We have had good dialogue with company over the past couple of years and have seen improvements in the transparency of where cobalt has been sourced and under what conditions. Technology enhancements such as using blockchain help track cobalt from source and gives it a digital footprint. More work still needs to be done as unfortunately child labour and very low wage workers still exist on some sites. Microsoft and other international companies are continuing to work with local and national governments on this issue but given the complexity of the political environment in the DRC, progress will be slow. The PRI-sponsored engagement finished at the end of 2020, but this is something we will continue to monitor as holders of Microsoft.

Another engagement we got involved in during the early stages of the pandemic was around access to medicines. This is another PRI-led engagement and was set up to encourage businesses to grant fair and equitable access to medical supplies to developing countries. Given the global nature of the pandemic we believe it is important that all countries were given access to medical equipment and testing at a fair price so that they could protect their citizens. The fund is part of the lead investor effort engaging with Abbott Laboratories as they were supplying equipment and testing capabilities that are essential in tracking cases of COVID-19. We had good discussions with the company, and they have been able to increase production of supplies essential for testing and have been able to distribute them to a wide range of countries. Also, the company has been able to offer these products at cheaper prices due to economies of scale so that countries weren't being priced out of the market. Abbott has also been able to produce a rapid test that gives results in 5 minutes which could be a game changer for when society is able to reopen. The PRI engagement is now shifting more towards the fair distribution of the vaccine rollout which isn't something Abbott is involved with, but we will continue to have conversations with them around the rapid testing.

# Portfolio carbon footprint

## Rathbone Greenbank Global Sustainability Fund

### Estimated carbon footprint for portfolio equity holdings

Valuation date	30 Apr 2021	
Portfolio value	£83,067,908	
Equity value (% total value)	£80,657,327	97%
Value covered by carbon data (% total value)	£80,657,327	97%
Number of holdings not reporting carbon data	1	
% eligible holdings with data (by value)	100%	
Number of holdings excluded due to lack of data/estimates	0	

	Tonnes	Tonnes per £1m invested	
Portfolio carbon footprint	1,303.61	16.16	
FTSE 350 carbon footprint	16,190.04	200.73	-91.9%
MSCI World Index carbon footprint	8,912.73	110.50	-85.4%

The Intergovernmental Panel on Climate Change (IPCC) has highlighted the need to limit the rise in global average temperatures to 1.5°C above pre-industrial levels in order to avoid significant environmental and economic costs; yet current global policies and targets are projected to result in over 3°C of warming. This ambition gap needs to close. One of the ways in which investors can demonstrate support for the low-carbon economy is by measuring and reporting on the climate impact of their investments. We have conducted a carbon footprint assessment of the portfolio, showing the carbon 'owned' via an investment in the fund. The analysis looks at Scope 1 and Scope 2 emissions. This is due to widespread gaps in company reporting of Scope 3 emissions and our desire to compare like-for-like company data.

This shows that every £1 million invested the fund owns 16.16 tonnes of Greenhouse Gas (GHG) emissions. If the same amount were invested passively in the MSCI World Index it would own 110.50 tonnes of GHG. That means the fund is estimated to be 85% less carbon intensive than the index.

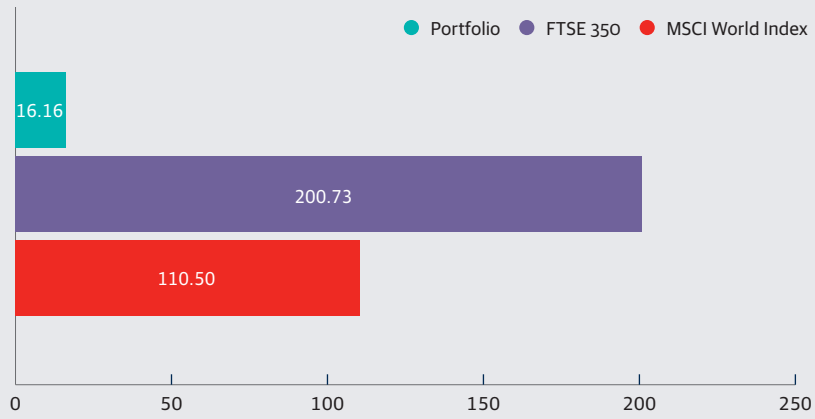
This is partly driven by the fact that the fund excludes some of the highest emitting industries such as fossil fuels and mining. However, the positive sustainability focus of the fund also means that within the sectors where we do invest, we are looking for companies that can demonstrate leadership and an evidenced commitment to the low-carbon economy.

#### Explanatory notes

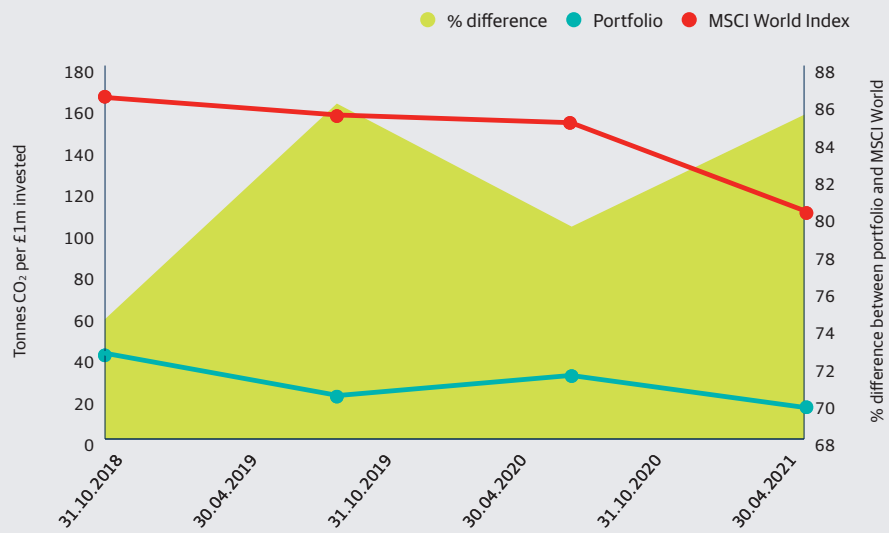
- The FTSE 350 carbon footprint figure is based on the current market cap weightings of the constituents of the FTSE 350 Index (excluding Investment Trusts) as at 31 December 2020.
- In constructing the FTSE 350 carbon footprint and MSCI World Index carbon footprint data, sector averages have been estimated for those companies that do not report GHG emissions data.
- The portfolio footprint is derived by calculating the percentage of a company's shares in issue held within the portfolio. This percentage is then multiplied by the company's total GHG emissions to derive the amount of carbon which can be ascribed to the portfolio holding.
- Only the portion of the portfolio invested in equities and covered by carbon data (indicated overleaf) is used in the FTSE 350 and MSCI World carbon footprints. This is to ensure a fair comparison.
- This value is allocated across the index constituents according to their respective market cap weightings. A similar process is used to calculate the share of each company's carbon footprint 'owned' by the benchmark.
- The fund was renamed from the Rathbone Global Sustainability Fund on 14 June 2021.



### Tonnes per £1m invested



### Historical analysis

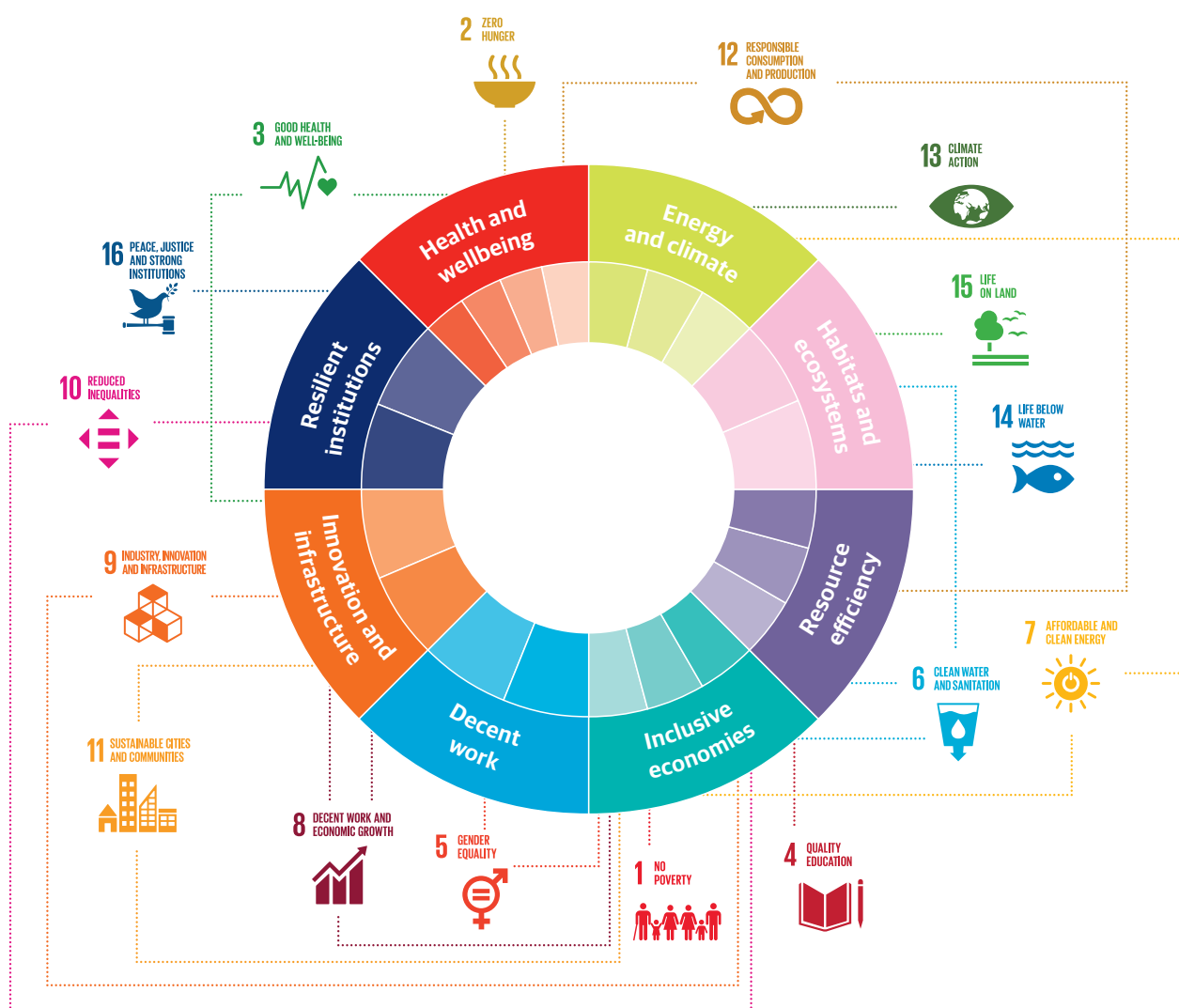




# Positive sustainability criteria

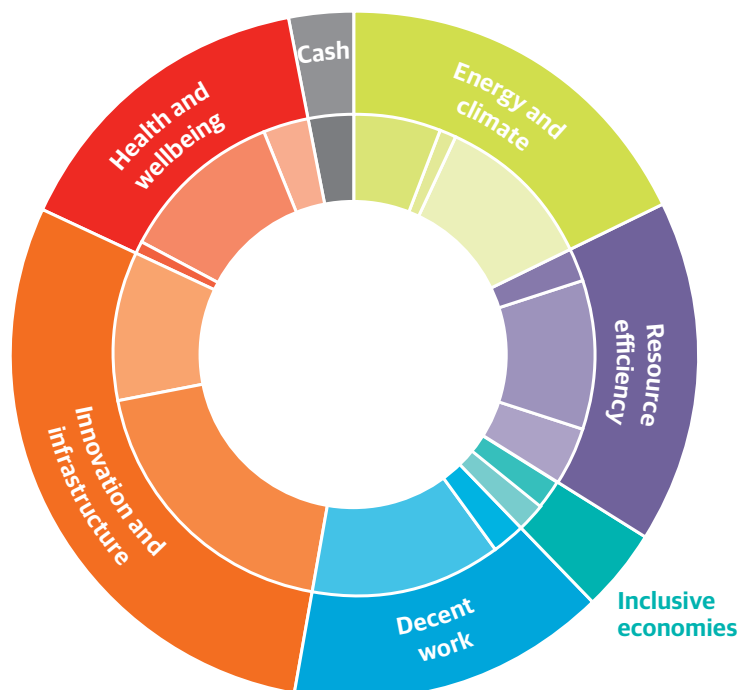
## How the UN SDGs map to Rathbone Greenbank's proprietary database

Sustainability philosophy – our sustainability model uses a set of sustainable development themes and a number of underlying sub-themes. Following the 2015 launch of the UN Sustainable Development Goals (SDGs), we updated our approach to incorporate the aims of the SDGs. The SDGs comprise 17 goals, with 169 underlying targets that aim to 'end poverty, protect the planet and ensure prosperity for all' by 2030. Our themes ultimately align with the same ambitions, but translate the SDGs into something more relevant for companies. Our internal sustainability framework has evolved over time and was updated in 2015 to incorporate the aims of the SDGs.



# Portfolio breakdown

Rathbone Greenbank has mapped the UN SDGs to its own set of eight sustainable development themes and a number of underlying sub-themes, making them more relevant to companies. We use these themes to determine how successful individual companies are at translating aspirations into tangible results.



Theme	Sub-theme	Total
Energy and climate	Climate action	6%
	Energy security	1%
	Operational alignment (climate)	11%
Resource efficiency	Operational alignment (resource efficiency)	2%
	Sustainable consumption	10%
	Water security	4%
Inclusive economies	Inclusive economies	2%
	Training and education	2%
Decent work	Small business support and job creation	2%
	Operational alignment (employment)	13%
Innovation and infrastructure	Supporting environmental sustainability	19%
	Supporting human wellbeing	10%
Health and wellbeing	Access to nutrition	1%
	Healthcare access	11%
	Safety and protection	3%
Cash	Cash	3%

Source: Rathbones as at 30 April 2021. The fund was renamed from the Rathbone Global Sustainability Fund on 14 June 2021.

# Rathbone Greenbank Global Sustainability Fund

## Case studies





Case study

# Abbott Laboratories



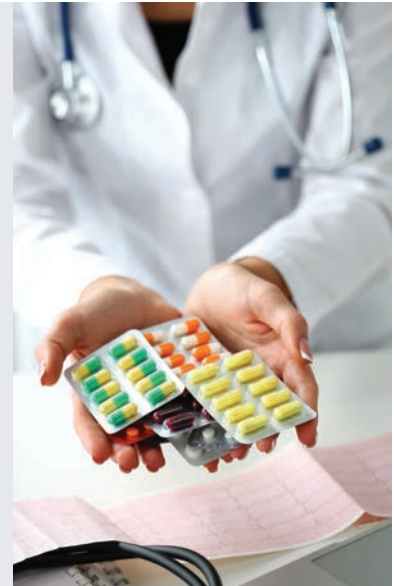
Health and wellbeing: Healthcare access

### Investment case

- leading nutritional products and diagnostics company, with a diversified portfolio
- market leader in adult nutrition with its Ensure brand
- freestyle diabetes monitors are a significant product for type 1 diabetes market

### Sustainability criteria

- provides industry-leading access to healthcare programmes in countries where resources are constrained
- products and services support human wellbeing and help individuals to lead healthy lives
- supplier diversity programme which is designed to give opportunities to groups traditionally under-represented in business



Case study

# Adobe



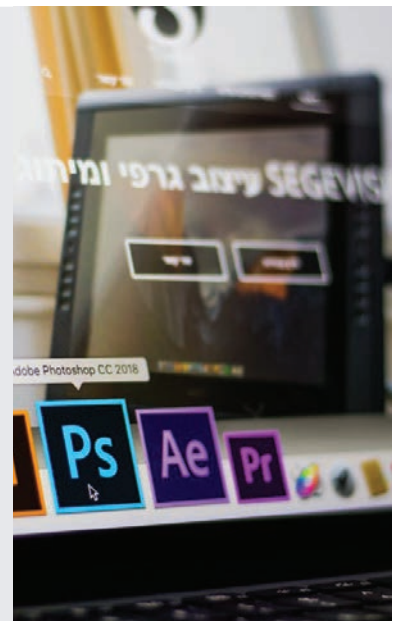
Decent work:  
Operational alignment (employment)

### Investment case

- leading US software company with a focus on creating digital media and publication tools
- highly embedded with customers and a key beneficiary of the structural shift to digital
- subscription-based model with excellent levels of cashflow and attractive returns on capital

### Sustainability criteria

- achieved gender pay parity globally and switched focus to closing opportunity gap
- digital academy provides apprenticeships and the goal of placing participants with full-time employment at Adobe or another technology company
- commitment to 100% renewable energy for all operating sites and digital delivery of products by 2035



Case study

# Adyen



Energy and climate  
Operational alignment (climate)

**Investment case**

- creates online payment, information and fraud solutions giving customers a simplified and scalable product
- seen as a critical partner to help navigate a complex and changing environment as more companies move online
- top line growth should remain robust in the medium term, which drives a rising return on capital

**Sustainability criteria**

- helps businesses of all sizes grow by removing friction from payment process
- achieved carbon neutrality, compensating for its environmental footprint by purchasing carbon credits for all its historic emissions going back to 2006
- Adyen giving lets merchants accept charitable donations in the checkout process



Case study

# AIA



Decent work:  
Operational alignment (employment)

**Investment case**

- leading Pan-Asian insurance products business
- focus on savings and protection products, benefiting from rising middle class
- double digit revenue growth supported by excellent and durable returns on capital

**Sustainability criteria**

- significant investment in infrastructure-related sectors such as electricity, transportation and telecommunications
- focus on recruiting, developing and retaining capable, engaged and high-performing employees
- launched first-in-market mental health insurance in Malaysia increasing coverage of mental health conditions



Case study

# Alfen



Energy and climate: Energy security

### Investment case

- leading Dutch player in the energy equipment space and perfectly positioned to benefit from the energy transition and the EU Green Deal
- only active independent player across smart grid, energy storage and electric vehicle charging solutions
- strong relationships with a wide range of component suppliers so can pick the best technology for each product

### Sustainability criteria

All divisions contribute to the clean energy transition:

- smart grid technology allows renewable energy to form a larger part of the power grid mix
- produces a range of smart and connected electric vehicle chargers
- manufactures modular energy storage systems



Case study

# Ansys



Innovation and infrastructure:  
Supporting environmental sustainability

### Investment case

- American technology company focused on simulation software; used by customers to optimise products as they are designed
- simulation is becoming more important across the whole lifecycle of a product; will be a key beneficiary of this
- strong barriers to entry and grows its top line in excess of GDP

### Sustainability criteria

- software helps innovators test and improve solutions in clean technology and renewable energy systems
- technology is used for research and/or teaching in engineering schools around the globe
- developing solutions catering to emerging technologies for autonomous vehicles, energy storage and battery management systems





Case study

# Aptiv



Innovation and infrastructure:  
Supporting environmental sustainability

### Investment case

- US automotive supply business with a focus on the 'digital nerve centre' of vehicles
- no exposure to internal combustion engine should make returns on capital more predictable
- significant growth opportunities from focus on vehicle autonomy and safety

### Sustainability criteria

- creating sustainable products around autonomous driving and electrification
- active safety features helping to reduce vehicle accidents and fatalities
- long-term targets for reducing waste, water and emissions consistent with the UN SDGs



Case study

# ASML



Innovation and infrastructure:  
Supporting environmental sustainability

### Investment case

- global leader in semiconductor manufacturing equipment
- enjoys well over 50% market share in next generation technology
- structural rise in microchip usage leads to significant long-term growth opportunities

### Sustainability criteria

- enables microchips to be smaller, cheaper and more energy-efficient
- products support the transition away from a linear economic model to a circular economy
- on track to use 100% renewable electricity across its operations by the end of 2021



Case study

# Assa Abloy

# ASSA ABLOY

Innovation and infrastructure:  
Supporting human wellbeing

### Investment case

- global leader in entry systems, an industry with attractive growth
- structural shift to digital locks is a multi-year driver
- returns on capital are attractive and durable

### Sustainability criteria

- provides security and safety to customers with locks, doors and gates
- embeds sustainable design into product innovation process
- mobile access allows keyless entry to hotel rooms, reducing need for plastic cards



Case study

# Badger Meter



Badger Meter

Resource efficiency: Water security

### Investment case

- US industrial company focused on municipal water meters
- enjoys a high and stable market share and new entrants have significant barriers to entry
- should be a key beneficiary of the shift to a more interconnected and digital infrastructure

### Sustainability criteria

- helps save water and other natural resources through highly accurate metering and analytics solutions
- bronze metering products contain recycled material made from scrap brass
- leadership training programme aimed at driving consistent management techniques and skills



Case study

# Ballard Power



Energy and climate:  
Climate action

### Investment case

- hydrogen fuel cell technology could see strong adoption across the global transport fleet
- has long-standing relationships with multiple equipment makers and excellent positioning in Asia
- hydrogen technology is rapidly becoming cost competitive with other fuel sources

### Sustainability criteria

- zero emission technology plays an important role in the decarbonization of the global economy
- supporter of the circular economy by designing out waste and pollution by keeping products and materials in use
- identified as at the forefront of women in leadership positions among Canadian companies



new holding

Case study

# Cadence Design



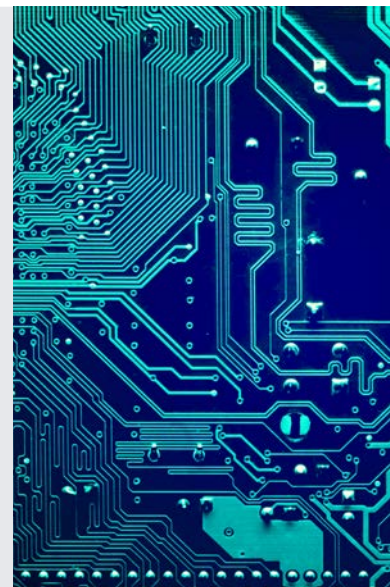
Innovation and infrastructure:  
Supporting environmental sustainability

### Investment case

- American technology company that plays a key role in semiconductor design
- exposed to a number of attractive long-term trends including artificial intelligence and next-generation technology
- products are often seen as mission-critical with its customers

### Sustainability criteria

- provide technologies which assist in the design of electronic products that conserve energy and power
- supporting innovation in the auto industry and the transition to electric vehicles
- increasing female participation in the sector by offering women in technology scholarships





Case study

# Chr. Hansen



*Improving food & health*

Health and wellbeing: Access to nutrition

**Investment case**

- global leader in cultures and probiotics
- part of a sector with high and sustainable barriers to entry
- growth opportunities significant from both existing and new markets

**Sustainability criteria**

- uses natural microbial enzymes to prevent food spoilage and enhance food safety
- contributes to improved health and wellbeing through its probiotics healthy food ingredients
- agricultural products improve soil health, reduce crop spoilage and lower the use of chemical pesticides



Case study

# Clorox



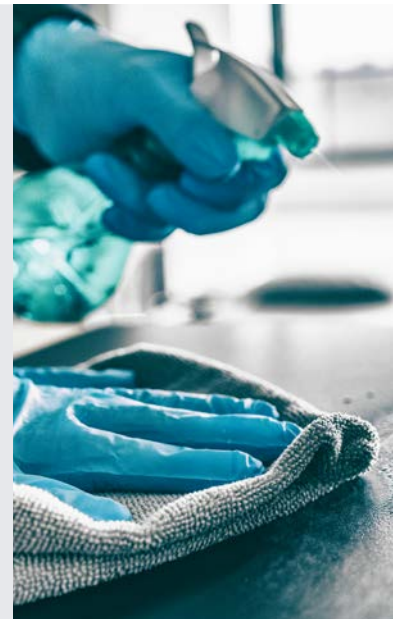
Resource efficiency: Operational Alignment

**Investment case**

- American consumer goods business with a strong brand footprint and an attractive product portfolio
- excellent management team with a proven ability to innovate and allocate capital effectively
- clear focus on recurring cashflow and long-term growth helps drive high and stable return on capital

**Sustainability criteria**

- bleach and disinfecting products help kill germs and Britta water filters provide safe clean drinking water
- targeting 100% recyclable, reusable or compostable packaging by 2025
- participant in TerraCycle's Loop pilot programme, where once products are used the packaging is collected, cleaned, refilled and reused



Case study

# DSV



Energy and climate  
Operational alignment (climate)

### Investment case

- Danish freight forwarding business with market leading positions across multiple regions
- strong management team with an excellent track record of allocating capital to compound returns
- asset light model allows DSV to manage the business effectively across the economic cycle

### Sustainability criteria

- one of the first in its industry to set science-based targets aligned with a well below 2 degree warming pathway
- involved with other Danish companies to produce 'green' hydrogen at scale using renewable energy
- employee development programme provides opportunity to acquire skills for career progression



Case study

# Ecolab



Resource efficiency: Water security

### Investment case

- market leader in commercial cleaning products
- consistent growth in market share and excellent pricing power; client retention of over 95%
- highly cash generative business and durable returns

### Sustainability criteria

- assist companies to deliver clean water, safe food and reduce energy consumption across a range of industries
- help companies reduce, reuse and recycle water, saving billions of gallons every year
- switching from using virgin plastic to recycled in its product range



Case study

# EDP Renewables



Energy and climate: Climate action

### Investment case

- Portuguese/Spanish global leader in the ever-expanding renewable energy sector
- self-funding value accretive growth model, with low leverage
- excellent operator achieving industry leading margins through outperformance along the value chain

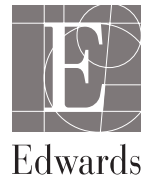
### Sustainability criteria

- providing clean energy and better infrastructure capabilities
- high percentage of employees come from the local communities where the company operates
- innovating to improve the economics of offshore wind and battery storage



Case study

# Edwards Lifesciences



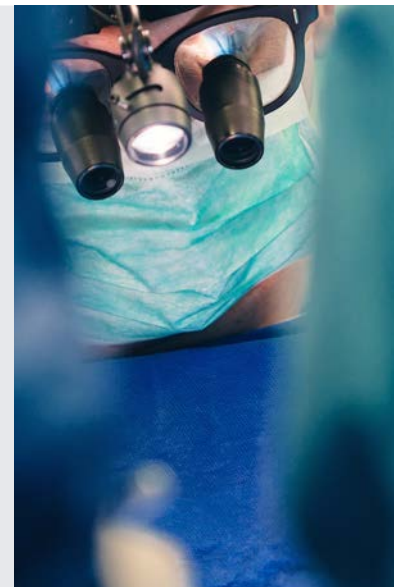
Health and wellbeing: Healthcare access

### Investment case

- American medical technology company, focused on heart valve replacement products and cardiac monitoring equipment
- leading player globally in its field, with significant growth opportunities in the long term
- attractive return on capital should be sustainable given the durability of the business

### Sustainability criteria

- helps reduce the global burden of heart valve disease by supporting education, screening and treatment
- drives the development of minimally invasive technologies that improve both patient outcomes and speed of recovery
- raise awareness and provides education about all treatment options available to patients





Case study

# Eurofins Scientific



Health and wellbeing: Safety and protection

### Investment case

- provides independent safety training for pharmaceutical, environmental and consumer products
- enjoys a strong market share and continues to build out its business in new sectors
- barriers to entry for new competitors are high and durable

### Sustainability criteria

- laboratories at the forefront of medical breakthroughs and drug discovery to help clinicians save lives
- helps test and analyse soil and crop health to enable farmers to increase productivity while protecting the environment
- aiming to achieve carbon neutrality by 2025 by significantly reducing carbon emissions



Case study

# First Republic



Decent work:  
Operational alignment (employment)

### Investment case

- California-based bank, with a strong focus on wealth management
- unique culture creates long-lasting and strong customer relationships
- stable and attractive returns. A simple and niche financial services company

### Sustainability criteria

- financial products give access to finance for businesses, students and families
- attractive employee benefits and work-life balance maintains low staff turnover
- Eagle Community Home Loan Program helps individuals in the community become homeowners



Case study

# GN Store Nord



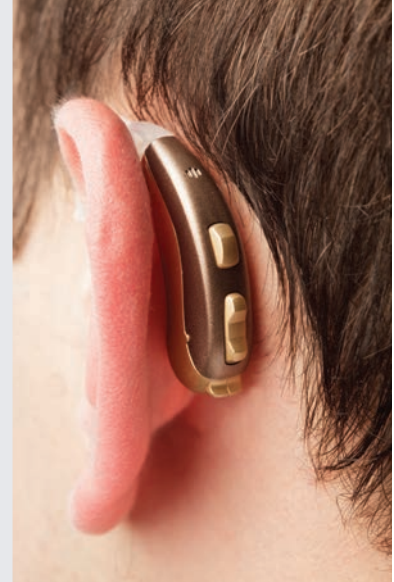
Health and wellbeing: Healthcare access

**Investment case**

- leading Danish hearing aid and audio company, with strong focus on innovation
- only hearing aid company without a large retail footprint, making it more agile and scalable
- audio business benefiting from structural change in how it works

**Sustainability criteria**

- hearing solutions improve the quality of life for an ageing population
- graduate and mentoring programme to attract and develop the talent of tomorrow
- GN Hearing co-sponsors research into better hearing solutions



Case study

# Halma



Health and wellbeing: Safety and protection

**Investment case**

- UK industrial business, focused on safety technology across multiple applications
- market-leading positions in niche segments helps to protect pricing power
- significant long-term growth potential whilst achieving attractive returns on capital

**Sustainability criteria**

- involved in manufacturing a wide range of products that protect and improve the quality of life for people worldwide
- medical technology helps to diagnose and treat disease earlier and more accurately
- technology helps the agriculture industry to maximise crop growth and cultivation



Case study

# Hannon Armstrong



Innovation and infrastructure:  
Supporting environmental sustainability

## Investment case

- American financing company for renewable energy and infrastructure projects that reduce carbon emissions
- long standing relationships with industry-leading partners gives it unique access to lots of business opportunities
- strong pipeline in a growing energy efficiency sector with both private and public sector customers

## Sustainability criteria

- first American public company solely dedicated to investments in climate change solutions.
- provides financing to energy and water efficiency projects for residential and commercial buildings
- repayment of loans comes out of energy savings generated by the project



Case study

# Jungheinrich



Energy and climate  
Operational alignment (climate)

## Investment case

- leader in materials handling and automated warehouse solutions
- accelerated switch to electrification opens up significant long-term opportunities
- consistent focus on product development and innovation strengthens the moat around the business

## Sustainability criteria

- international training programme for junior managers and graduates
- continually improving the energy efficiency of products and the production process
- increasingly circular approach through product lifecycle assessments and growing sales of refurbished forklift trucks





Case study

# Kone



Innovation and infrastructure:  
Supporting environmental sustainability

**Investment case**

- elevator market is consolidated with very high barriers to entry
- structural demand remains robust as urbanisation means building up, not out
- highly cash-generative business with long-term visibility

**Sustainability criteria**

- products and services improve building eco-efficiency with an emphasis on safety
- no landfill waste at a number of manufacturing sites
- employee development through virtual reality, gamification and mobile learning



Case study

# Legal & General



Decent work:  
Operational alignment (employment)

**Investment case**

- UK insurance business with strong investment management franchise
- significant growth opportunities in US market
- highly experienced management team that allocates capital clearly

**Sustainability criteria**

- provides funding into small-to-medium sized enterprises, supporting job creation and economic growth
- supporting key technologies in the transition to a lower carbon economy
- invests in employee development and wellbeing to create an inclusive working culture



Case study

# Linde



Resource efficiency: Sustainable consumption

### Investment case

- global leader in industrial gases, with operations across multiple sectors
- merger of Praxair and Linde has been well executed and should continue to generate future synergies
- wide and durable moat around a highly cash-generative business

### Sustainability criteria

- products, services and technologies offer environmental benefits to a wide variety of industries
- hydrogen used to help produce cleaner air by reducing sulphur emissions from trucks and cars
- oxygen helps steelmakers save energy and serves medical patients needing respiratory assistance



Case study

# Littelfuse



Innovation and infrastructure:  
Supporting human wellbeing

### Investment case

- global leader in power-management technology for auto and industrial sectors
- vehicle electrification drives structural demand for products
- brand and barriers to entry help protect margin and pricing

### Sustainability criteria

- products assist in the growth of smart meters, LED lighting and electric vehicles
- working with customers in renewable energy and energy storage markets to improve efficiency
- products support the safety of electrical systems



Case study

# Mastercard



Innovation and infrastructure:  
Supporting human wellbeing

**Investment case**

- multi-year driver of cash-to-card switch. Global penetration 50%
- in duopolistic industry structure with durable barriers to entry
- excellent top line growth and very strong cash generation

**Sustainability criteria**

- inclusive growth agenda to move people from poverty to prosperity
- innovation in mobile payment and pre-paid cards targets under-served customer groups
- Girls4Tech signature education programme aims to inspire girls into a career in science, technology, engineering and maths



Case study

# Microsoft



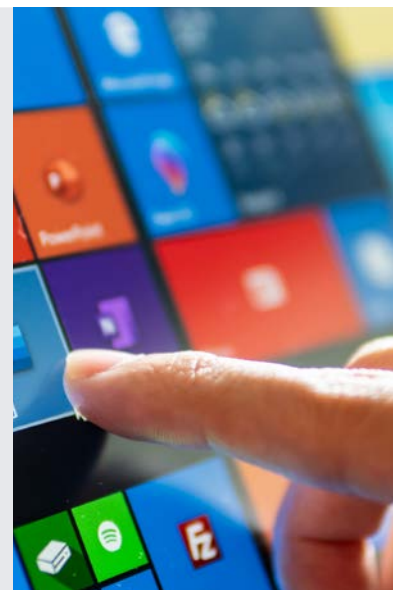
Decent work: Operational alignment (employment)

**Investment case**

- global software company with leading positions across multiple categories
- management have transformed the business into a well-positioned franchise with multiple revenue drivers
- high level of recurring cash flow with limited need for large strategic deals

**Sustainability criteria**

- meeting increasing demand for IT infrastructure services with more environmentally friendly and energy efficient solutions
- carbon neutral since 2012 and aims to remove enough carbon to account for all its historical emissions by 2050
- offers employees strong benefits and development programmes, which help maintain high employee engagement and satisfaction levels





Case study

# Nidec



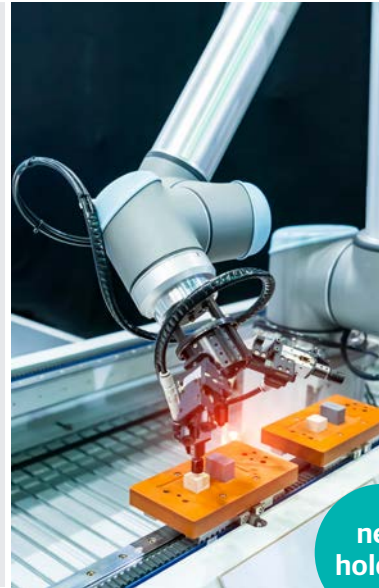
Energy and climate  
Operational alignment (Climate)

### Investment case

- leading Japanese maker of small motors used in multiple applications
- enjoys technology leadership in many of its products, cemented by a focus on research and development
- significant growth opportunity in the electric vehicle and adjacent markets

### Sustainability criteria

- provides solutions that support the spread of renewable energy and electric vehicles
- contributes to reducing power consumption by offering energy efficient motors
- corporate social responsibility charter encourages best practices by employees around human rights and health and safety



new holding

Case study

# Ørsted



Energy and climate: Climate action

### Investment case

- global leader in offshore wind, an industry with high barriers to entry
- company has a proven track record of delivering profitable projects backed up by a strong management team
- strong market positions in Europe and the Americas to take advantage of 'green deal' legislation

### Sustainability criteria

- business is focused on addressing climate change through the provision of renewable energy
- aims to halve all emissions in the supply chain by 2032 and be carbon neutral by 2040
- undertakes detailed environmental investigations to minimise impacts of turbines on ocean ecosystems



Case study

# PayPal



Inclusive economies: Inclusive economies

**Investment case**

- critical player in the digital financial ecosystem, which should continue to see strong growth
- barriers around the business are durable and rising. Digital transaction penetration will continue to increase
- expansion into new products has opened up multiple long-term opportunities

**Sustainability criteria**

- payment platform allows more people to be able to participate in the global economy fully and fairly
- aids governments and health agencies to transition into digital payments which enables support for customers without in-person contact
- PayPal's giving platform allows customers to donate to charitable organisations



Case study

# RELX



Inclusive economies: Small business support

**Investment case**

- global leader in providing data analytics to the scientific and legal industries
- often provides a critical service to its customers, with few global competitors
- wide economic moat in the business is reflected by excellent return on capital

**Sustainability criteria**

- products promote access to information, helping the advancement of science, health and access to justice
- free universal access to SDG Resource Centre which includes information and research on the UN SDGs
- uses green tariffs and purchase renewable energy certificates equal to its global energy consumption



Case study

# Sartorius



Health and wellbeing: Healthcare access

### Investment case

- leader in making 'catalytic starters' for many biologic drugs
- strong market share in growing industry. High barriers to entry
- high level of sustainable growth. Returns on capital very attractive

### Sustainability criteria

- products are used in biopharmaceutical industry to produce medical drugs
- laboratory instruments and consumables used in research, helping to enable scientific progress
- increasing the proportion of environmentally friendly raw materials in products



Case study

# Shopify



Decent work: Small business support and job creation

### Investment case

- provides an online ecosystem for brands and retailers, with a strong focus on independents
- large addressable market which is growing, yet global eCommerce penetration is relatively low
- offers a unique solution to smaller companies, reducing barriers and cost to move online

### Sustainability criteria

- helps people start, run and grow a business with specific support for underserved communities
- offers computing education programmes that help build a diverse engineering pipeline
- carbon neutral since inception, including buildings powered by renewable energy and carbon-neutral corporate travel



Case study

# SIG Combibloc



Resource efficiency: Sustainable consumption

### Investment case

- leader in aseptic packaging systems, which are used for a number of consumer products'
- operates in a duopoly with Tetra Pak and enjoys strong barriers to entry
- long-term growth opportunity in aseptic packaging remains attractive

### Sustainability criteria

- its packaging has a significantly lower environmental footprint than plastic bottles or cans
- enables food and beverages to retain their nutritional value over long periods of time without the need for refrigeration
- all the energy used to make its packaging is from renewable sources



Case study

# Taiwan Semiconductor Manufacturing



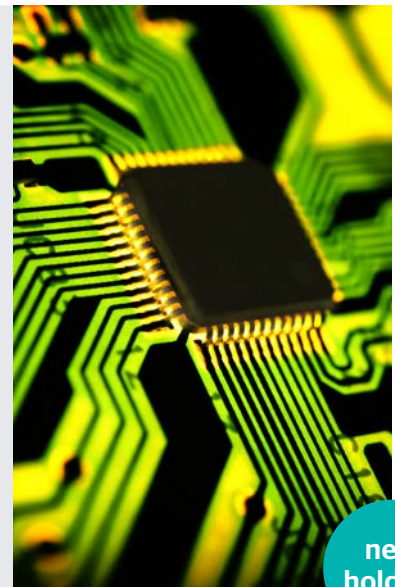
Innovation and infrastructure: Supporting environmental sustainability

### Investment case

- largest semiconductor foundry with market leading technology and capabilities
- strong and stable return on capital with durable barriers to entry
- increasing complexity in semiconductor production and design should benefit its competitive advantage in this area

### Sustainability criteria

- offers advanced energy-saving semiconductor products to enable customers to improve their efficiency
- implementing a number of innovative programmes to improve energy and water conservation and reduce waste across the business
- launched semiconductor collaborations with top universities to encourage and attract talent into the industry



new holding



Case study

# Thermo Fisher Scientific



Health and wellbeing: Healthcare access

### Investment case

- American medical technology company, focused on laboratory testing equipment
- excellent brand reputation and enjoys extremely high market share in each of its core markets
- sustainable top-line potential in the business is attractive, supported by strong margins and returns on capital

### Sustainability criteria

- products and services key to healthcare professionals trying to cure disease and improve diagnostics
- offers multiple green product ranges and continuously innovates to reduce environmental impacts
- employee resource groups look at recruitment, career development and community involvement



Case study

# Tomra



Resource efficiency: Sustainable consumption

### Investment case

- Norwegian company focused on recycling and sensor-based sorting machines
- extremely strong market share in both sorting and collection solutions and an excellent brand
- robust revenue growth and attractive profit margins drive durable return on capital

### Sustainability criteria

- food sorting products reduce wastage and increase food safety
- sorting solutions increase recycling rates and reduce waste sent to landfill
- working with manufacturers to help produce 100% recyclable packaging and create a circular economy



Case study

# Trex



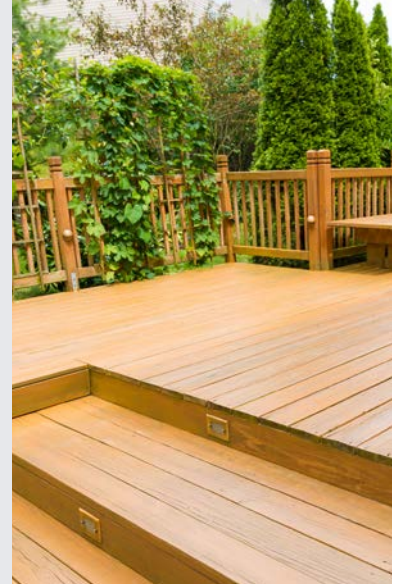
Resource efficiency: Sustainable consumption

**Investment case**

- US producer of composite outdoor decking for residential and commercial use
- market penetration remains relatively low with significant growth opportunities
- return on capital is attractive and should remain durable in the future

**Sustainability criteria**

- products replace virgin wood by reusing plastic packaging with sawdust and other waste wood by-products
- one of the largest recyclers of polyethylene film in North America
- leadership development training programmes prepare employees for future management positions



Case study

# Trimble



Innovation and infrastructure:  
Supporting environmental sustainability

**Investment case**

- leader in advanced location-based software solutions
- software effectively digitizes a farm or construction site
- attractive long-term growth opportunities are underpinned by excellent cashflow

**Sustainability criteria**

- enable farmers to increase efficiencies, enhance productivity and improve crop performance
- in transportation, bring efficiency and visibility into fleet operations for cleaner, greener and safer operations
- provide customers with instruction for safe disposal including recycling programme to prevent products ending up in landfills



Case study

# Vestas



Energy and climate: Climate action

### Investment case

- global leader in the manufacture and servicing of wind turbines
- protected with high barriers of entry and perfectly placed to capitalise on growth of wind energy
- delivers best-in-class margins with strong free cashflow generation

### Sustainability criteria

- delivering best-in-class renewables energy solutions
- company's mission of benefiting the planet by reducing CO<sub>2</sub> emissions and driving down the cost of energy
- invests in local community focussing on education, training and providing job opportunities



Case study

# Visa



Innovation and infrastructure:  
Supporting human wellbeing

### Investment case

- global leader in payment processing, operating in duopoly with Mastercard
- benefits from multi-year switch from cash-to-card payments
- double-digit revenue growth supported by excellent and durable returns on capital

### Sustainability criteria

- works with start-up businesses and developers to co-create new ways to pay at innovation centres
- financial literacy programme offered in over 40 markets around the world
- 100% renewable energy across its global operations



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Look forward

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