



RATHBONES GROUP PLC
2022 TASK FORCE ON CLIMATE-RELATED
FINANCIAL DISCLOSURES REPORT

RESPONSIBLE ACTION

TCFD REPORT 2022

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RATHBONES AT A GLANCE

Rathbones provides individual investment and wealth management services for private clients, charities, trustees and professional partners. We have been trusted for generations to manage and preserve our clients' wealth. Our tradition of thinking, acting and investing for everyone's tomorrow has been with us from the beginning and continues to drive us forward. We are a leading provider of individual investment and wealth management services for private clients, charities, trustees and professional partners. With 15 offices throughout the UK and Jersey, clients are never far away from high-quality, personalised wealth management services.

➤ Find out more in our [annual report and accounts](#).

INTRODUCTION



Paul Stockton
Group Chief Executive Officer

A STATEMENT FROM OUR CEO

As a market facing business this year we have inevitably been impacted by the many well chronicled events of 2022. Despite this uncertainty, Rathbones has a responsibility to respond to the continued disruption caused by climate change. We do so by considering our own environmental impact and ensuring that climate change remains a factor in the decision making for the businesses in which we invest on behalf of our clients.

The way in which we identify and respond to the climate-related risks and opportunities we face as a business is a factor in this. We consider how these risks and opportunities will affect our governance, business strategy, our approach to risk management and progress towards our climate-related targets.

We are in a crucial window for action and we will continue to build on Rathbones' efforts to date.

This report shares information and insight into our work in the context of climate change, and our journey towards net zero¹.

Paul Stockton
Group Chief Executive Officer

FOREWORD

With over £60 billion in funds under management and administration, we recognise the impact that climate change can have on the performance and value of our investments. As stewards and allocators of capital, we recognise that we have a responsibility to understand the potential implications of climate change on our clients' portfolios. We believe that failure to mitigate climate related risks could negatively impact on the performance of our investment holdings in the long run. Therefore, companies with effective net zero targets and credible methods of implementation are making themselves increasingly attractive investment opportunities. Contrastingly, companies who show little evidence of future-proofed plans will be at a competitive disadvantage.

Rathbones is committed to becoming net zero by 2050 across our entire business. Our specialist ethical and sustainable impact investment team Rathbone Greenbank aims to be net zero by 2040. These commitments cover emissions associated with our operations, supply chain and our clients' investments. As part of this, the Science Based Targets initiative have approved our near-term 1.5°C-aligned target that commits 35% of our listed equity and bonds portfolio, by value, setting SBTi-approved targets by 2025, 57% by 2030, and 100% by 2040. We have also committed to set long-term emissions reduction targets with the SBTi in line with reaching net-zero by 2050.

This report sets out our approach and response to the climate-related risks and opportunities that we face as a business and aligns with the 11 disclosure recommendations of the Task Force on Climate-related Financial Disclosures. In developing the report, we have considered and addressed the TCFD all-sector guidance, and the requirements of the supplemental guidance for asset managers in full. Additionally, we conducted a gap analysis against the Financial Reporting Council's thematic review of TCFD disclosures and climate in financial statements to determine the appropriate level of detail to be included in our disclosure. For our formal statement of compliance to LR 9.8.6R(8) please see our 2022 [annual report and accounts](#) pages 77 to 81.

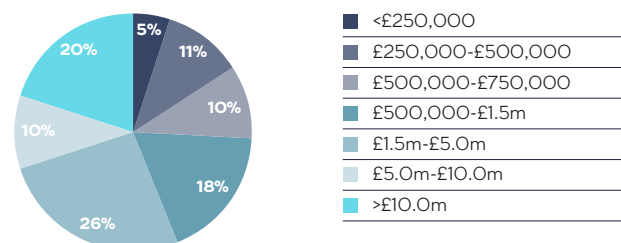
1. Net zero refers to achieving a scale of value chain emissions reductions consistent with the depth of abatement at the point of reaching global net-zero in 1.5°C pathways and (2) neutralizing the impact of any residual emissions by permanently removing an equivalent volume of CO₂, visible here

OVERVIEW / AT A GLANCE

RATHBONES AT A GLANCE

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SIZE OF INVESTMENT MANAGEMENT RELATIONSHIP VALUE



As a percentage of total funds under management at 31 December 2022.

TABLE 13. FUNDS – FUNDS UNDER MANAGEMENT BY PRODUCT

	2022 £m	2021 £m
Rathbone Global Opportunities Fund	3,361	4,334
Rathbone Multi-Asset Portfolios	3,043	2,679
Rathbone Ethical Bond Fund	2,169	2,802
Rathbone Income Fund	741	825
Offshore funds	549	661
Rathbone Active Income Fund for Charities	216	245
Rathbone High Quality Bond Fund	206	291
Greenbank Multi-Asset Portfolios	168	105
Other funds ¹	149	500
Rathbone Core Investment Fund for Charities	147	156
Rathbone Strategic Bond Fund	138	200
Rathbone Global Sustainability Fund	69	116
Rathbone UK Opportunities Fund	49	76
	11,005	12,990

1. £213 million of 'Bespoke' other funds transferred out during the year post the switch of Authorised Corporate Director (ACD) from Rathbone Unit Trust Management Limited to Evelyn Partners, an independent ACD

14

UK LOCATIONS
AND JERSEY¹

2,170

EMPLOYEES

£60.2BN

MANAGED BY US FOR
OUR CLIENTS

FTSE250

COMPANY LISTED ON
THE LONDON STOCK
EXCHANGE

1. Includes Vision Independent
Financial Planning

OUR APPROACH TO RESPONSIBLE BUSINESS

We believe that our focus on the long-term enables us to build value for our clients, whilst making a wider contribution to society. We have a clear understanding of who we are as a business and are committed to investing for everyone's tomorrow. This means understanding the environmental, social and governance (ESG) issues that matter to both our stakeholders and to our business.

We are committed to operating in a way that creates long-term value for our stakeholders, benefits society and actively addresses adverse impacts our activities may have on society, people and the environment. This includes putting in place strong governance foundations to hold us to account. Alongside clear accountability, we set targets, track and monitor our progress and report on our commitments in a transparent and timely manner.

Our responsible business programme enables us to deliver on our purpose through our various initiatives, including our responsible investment approach, diversity, equality and inclusion, community investment and reducing our environmental impact. More details of which can be found in our [responsible business update](#) and on page 67 of our [annual report and accounts](#).

Responsible investment:

We will apply an active and thoughtful approach to responsible investment

Our environmental impact:

We will play our part in the move to a net zero economy

People:

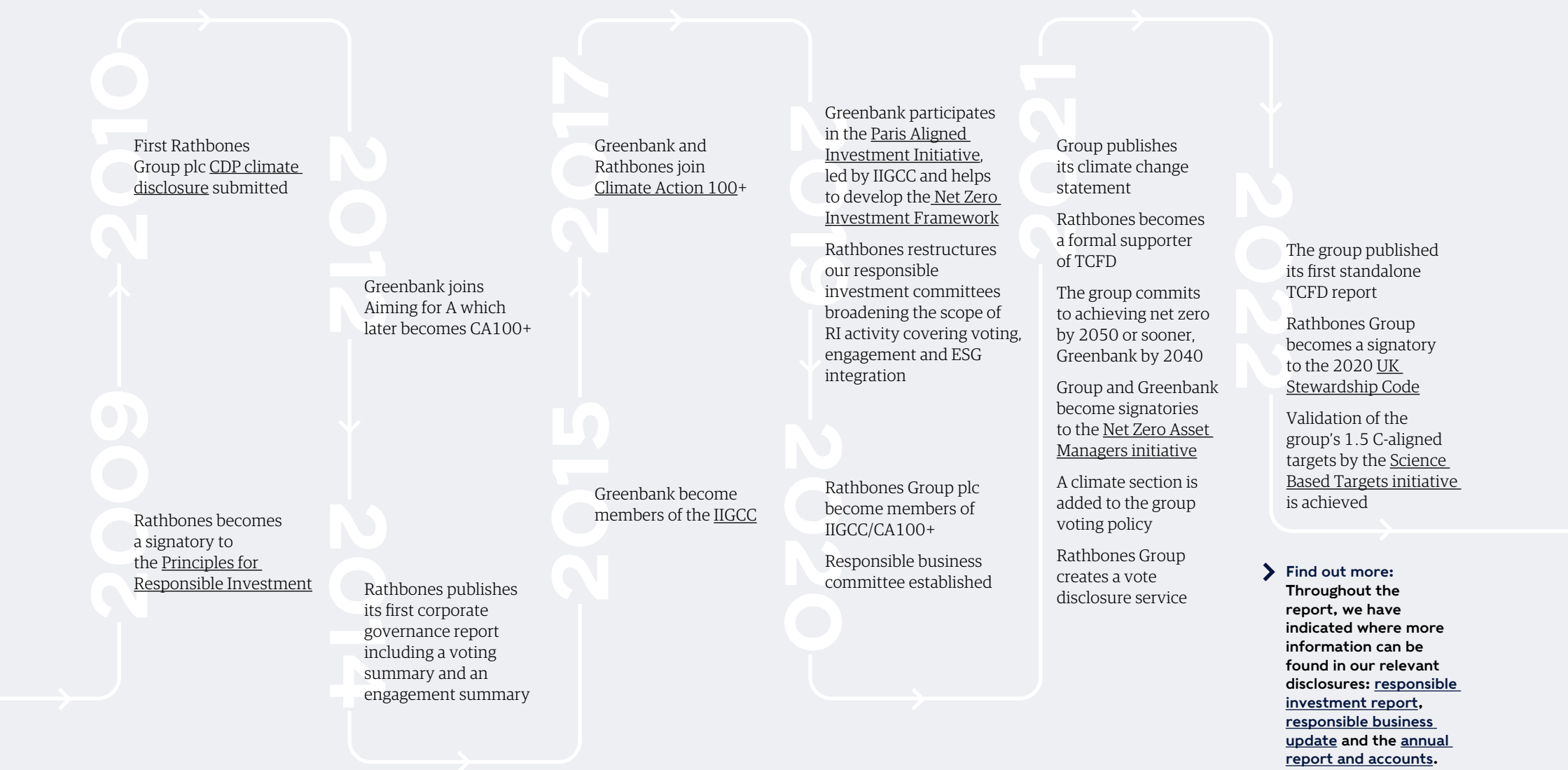
We aim to become the employer of choice for the wealth management sector

Society and communities:

We aim to be a trusted partner in the societies in which we operate



TIMELINE FOR EMBEDDING CLIMATE-RELATED ACTIVITIES INTO RATHBONES



CLIMATE RISK OVERVIEW



Climate action failure remains the most severe risk on a global scale over the next ten years, as identified by the [World Economic Forum](#). Failure to keep the average global temperature increase to below 1.5°C will have an impact on our future risk profile. Climate change risks are split into two categories: physical risks and transition risks.

Physical risks arise from the physical effects of climate change on businesses' operations, workforce, markets, infrastructure, raw materials and assets. Physical risks can be event-driven (acute), such as increased severity of extreme weather events (e.g. cyclones, droughts, floods, and fires). They can also relate to long-term (e.g. chronic) shifts in precipitation and temperature and increased variability in weather patterns (e.g. increased melting ice causing sea level rise).

Transition risks result from policy, legal, technology and market changes occurring in the shift to a lower-carbon global economy. Transition risk also incorporates 'stranded asset risk', i.e. the risk that assets that could quickly become unusable or reduced in value. Transition risks include policy constraints on emissions, imposition of carbon taxes, water restrictions, land-use restrictions, market demand and supply shifts, and reputational considerations.

The transition to a low-carbon economy also generates opportunities. At Rathbones we seek to incorporate climate change risk mitigation as part of our strategic agenda and you can read more about how we do this, in line with the TCFD recommendations in the following pages, as signposted by the summary table opposite.



1 / GOVERNANCE

TCFD recommended disclosures

- Describe the board's oversight of climate-related risks and opportunities
- Describe management's role in assessing and managing climate-related risks and opportunities

Relevant section in report

Pages 7 to 13



3 / RISK MANAGEMENT

TCFD recommended disclosures

- Describe the organisation's processes for identifying and assessing climate-related risks
- Describe the organisation's processes for managing climate-related risks
- Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management

Relevant section in report

Pages 29 to 36



2 / STRATEGY

TCFD recommended disclosures

- Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term
- Describe the impact of climate-related risks and opportunities on the organisation's business strategy and financial planning
- Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

Relevant section in report

Pages 14 to 28



4 / METRICS AND TARGETS

TCFD recommended disclosures

- Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process
- Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks
- Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets

Relevant section in report

Pages 37 to 44

GOVERNANCE

WE BELIEVE THAT EVERYONE IN THE GROUP HAS A ROLE TO PLAY IN MANAGING RISKS, FROM THE BOARD AND EXECUTIVE TEAM, TO ALL OTHER EMPLOYEES. IF AN ENTIRE WORKFORCE CAN OPERATE WITH ACCOUNTABILITY, THIS IN TURN ENHANCES THE EFFECTIVENESS OF RISK MANAGEMENT AND DECISION MAKING ACROSS THE GROUP

GOVERNANCE CONTINUED

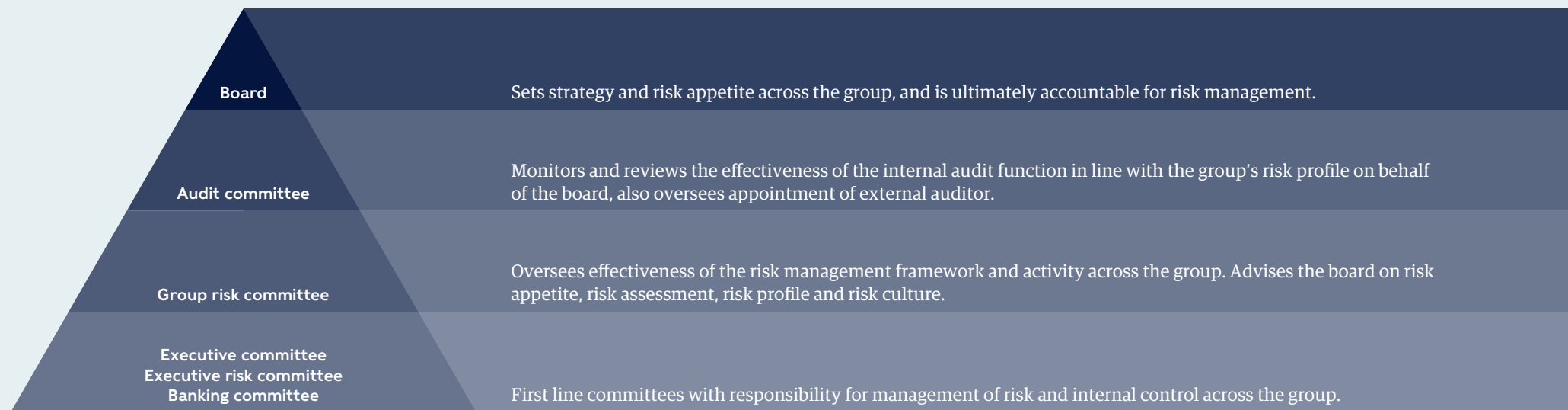
Our approach to risk governance, processes and infrastructure ensures that we are constantly evaluating both existing and emerging risks to our purpose, values and strategic and climate-related objectives.

Our risk governance and risk processes are designed to enable the firm to manage risk effectively in accordance with our risk appetite and to support the long-term future of the firm.

Oversight of the Rathbones risk management framework, which includes climate change, starts with our board of directors. The board is responsible for setting the right tone for the business, supporting a strong risk management culture and, through our senior leadership team, encouraging appropriate behaviour and collaboration across the business; it establishes the firm's purpose and strategic objectives and on an ongoing basis, monitors management's performance against those objectives.

As part of this, the board provides oversight on the firm's responsible business agenda, including our net zero commitment. Additionally, the board provides oversight and approval of remuneration arrangements for executive directors and the wider executive team. Delivery of our responsible business programme is a core feature of our non-financial strategic measures.

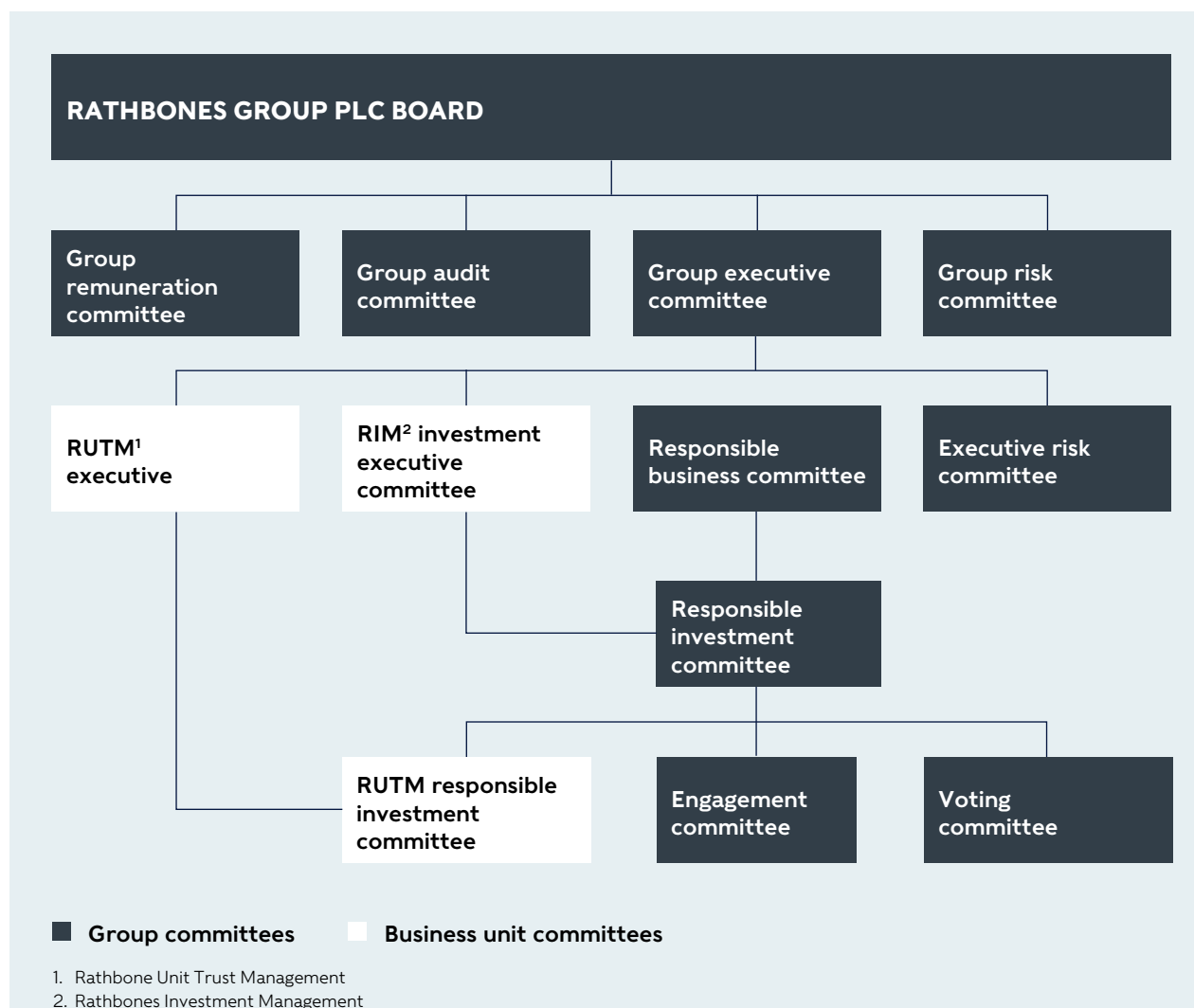
RISK GOVERNANCE



GOVERNANCE CONTINUED

The board regularly assesses the most significant risks and emerging threats to the group's strategy and receives strategic risk updates at least twice a year via risk and responsible business papers. Board members bring experience from a variety of sectors such as finance, capital markets and audit, which provides them with the necessary skills required to consider any future implications of climate change on Rathbones.

In addition to board monitoring, oversight of risk management activities is also undertaken through the group risk and audit committees. They offer support to the board, setting a constructive tone in support of a strong risk culture, which is integrated into our company culture and which our people embrace as part of their day-to-day responsibilities.



➤ For more information on our governance structure, visit [our website](#).

GOVERNANCE CONTINUED

COMMITTEE, ROLES AND RESPONSIBILITIES	FREQUENCY OF MEETINGS	PROGRESS IN THE REPORTING YEAR
GROUP RISK COMMITTEE Provide oversight on the firm's risk appetite and framework. The committee's activities include reviewing reports from the risk team, discussing significant risk topics, advising the board on the risk aspects of proposed major strategic change, and receiving reports from first line risk owners on risk management and improvements to controls and processes.	Updates on climate risk are tabled at least twice a year, including as part of the risk appetite and our internal capital adequacy assessment process (ICAAP) discussions.	Oversight and approval of the ICAAP 2022 operational risk scenarios. Approval of pillar 3 public disclosures document. Conducted the annual review of the risk appetite which determined that the risk appetite remained appropriate.
AUDIT COMMITTEE Our audit committee monitors and reviews the group's financial statements and related announcements. It also monitors the effectiveness of our internal controls. The committee reviews other statements, including our climate reporting, to ensure it is consistent with any reporting requirements.	Our TCFD disclosure is run alongside our annual reporting cycle and as such is shared with the audit committee at least twice a year.	Reviewed the firm's TCFD climate risk disclosure responsibilities. Updated terms of reference to specifically reference climate reporting.
REMUNERATION COMMITTEE The role of the remuneration committee is to set the over-arching principles and parameters of the remuneration policy across the company.	The committee meets at least three times a year and otherwise as required. The committee chairman reports formally to the board on its proceedings after each meeting on all matters within its duties and responsibilities.	Took into account the leveraging of ESG credentials into executive remuneration. Including but not limited to the integration of responsible investing across the firm and the laying of foundations to achieve our net zero targets.
GROUP EXECUTIVE COMMITTEE Our group executive committee (GEC) is chaired by the group CEO, who is supported by the senior management team. The key role of the committee is the day-to-day management of Rathbones. The committee actively reviews and assesses business performance supported by a range of committees that operate across the group.	Our GEC receives a minimum of two updates a year on our responsible business programme, which includes the approach to managing our environmental impact.	Approved the group's approach to investment embargoes and exclusions. Oversaw integration of Saunderson House colleagues into our London premises.

GOVERNANCE CONTINUED

COMMITTEE, ROLES AND RESPONSIBILITIES	FREQUENCY OF MEETINGS	PROGRESS IN THE REPORTING YEAR
EXECUTIVE RISK COMMITTEE The executive risk committee (ERC) is a standing committee of the group executive committee. It has responsibility for ensuring the effective management of risk throughout the group, in support of the business strategy and in line with the risk appetite approved by the board.	The ERC discusses climate risk twice a year, covering topics such as our appetite for climate risk and the impact on our ICAAP.	Approved the framework we use for the management of climate risk. Oversaw the annual review of group risk appetite including sustainability, one of our principal risks. Considered climate change as part of the suite of stress tests and potential stress tests feeding into our ICAAP process.
RESPONSIBLE BUSINESS COMMITTEE Our responsible business committee is co-chaired by our group chief executive and the managing director of investment management. The committee oversees the four pillars of our responsible business programme: responsible investment; our people; society and communities; and our environmental impact. This committee oversees our approach to net zero, receiving progress updates at each meeting. The key activities of this committee are to; identify emerging risks and opportunities related to the social and environmental impacts of the group, provide oversight of the group's responsible business strategy and reporting and oversee the group's policies and progress across our framework. This includes understanding the impact of and reporting on climate risk, whilst supporting the business as we deliver on our overarching climate responsibility.	Established in 2020, the committee meets at least four times a year and reports to the group executive committee and the board at least twice a year.	Oversaw validation of our SBTi aligned targets. Discussed the firms' approach to exclusions and net zero engagement. Oversaw our half-year and full-year reporting on carbon emissions. Reviewed and approved the firm's approach to offsetting in 2022.
GROUP RESPONSIBLE INVESTMENT COMMITTEE The responsible investment committee (RIC) constitutes senior practitioners from across Rathbones Investment Management (RIM) and Rathbone Unit Trust Management (RUTM) and in 2022 was chaired by the stewardship director. At the start of 2023 the chair changed to our RIM co-CIO. The RIC is responsible for the formation and implementation of the four principles of our responsible investment policy: ESG integration; voting with purpose; engagement with consequences; and transparency.	The RIC's work overlaps with our stance as a responsible business more generally, and this committee updates the responsible business committee at each meeting.	Reviewed standards and oversaw approval of an enhanced approach to group exclusions including the first phase of implementation. Reviewed the methodology for scenario analysis and other climate metrics in December 22 and approved in January 2023. Set the engagement strategy for priority net zero companies.

GOVERNANCE CONTINUED

COMMITTEE, ROLES AND RESPONSIBILITIES	FREQUENCY OF MEETINGS	PROGRESS IN THE REPORTING YEAR
RIM INVESTMENT EXECUTIVE COMMITTEE Our investment executive committee (IEC) establishes, leads and communicates the RIM investment policy to all investment managers, delivering a clear and consistent message. Members review investment risk across the business and promote the investment process and internal research by reviewing the effectiveness of research and other outputs. The IEC also held discussions around the impact of climate risk on our investment approach and our response at most meetings.	The IEC meets 12 times a year and has oversight of the responsible investment committee and our investment governance framework and processes.	Discussed RIM application of the exclusions policy. Reviewed stewardship activities, including engagement. Agreed communication and training for client facing colleagues. Discussed the impact of our net zero targets on our investment in fossil fuel companies.
RUTM RESPONSIBLE INVESTMENT COMMITTEE Set up in June 2022, the responsible investment committee (RUTM RIC) for our Funds business, reports into the RUTM executive committee and supports the work of the group responsible investment committee.	The RUTM RIC meets monthly and identifies the requirements to implement RUTM's RI strategy and associated, training, communication and reporting.	Oversaw agreement of the approach to fund level TCFD reporting.
VOTING COMMITTEE The voting committee is focused on proxy voting at investee companies across the group and on the development and maintenance of our bespoke group voting policy. It oversees proxy voting according to a well-defined process. The committee seeks to ensure that Rathbones can help drive positive climate change within our investee companies and be long-term stewards to a more sustainable world.	The committee meets at least three times a year to discuss the policy and practice with regard to proxy voting. Voting decisions linked to climate factors will be considered at each meeting. The voting committee reports to the responsible investment committee.	Approved an updated voting policy including voting on net zero targets and transition plans.
ENGAGEMENT COMMITTEE The engagement committee seeks to implement the group engagement policy which includes a fundamental belief that it is Rathbones' responsibility to have an open dialogue with companies on a range of ESG issues, such as climate change. Reporting to the RIC, the committee decides on our multiyear engagement priorities, debates options for escalation, promotes new potential direct and collaborative engagements, and provides a vital coordination point for the various parts of the business. As one of the agreed priority areas, climate is a standing agenda item. This committee is chaired by our stewardship director.	The group meets monthly to review progress on ESG themed engagements on a wide range of issues and sectors. The engagement working group reports to the responsible investment committee.	Agreed the group level engagement action plan, which covered our approach to engaging on net zero with companies that we hold.

ENGAGEMENT WITH CLIMATE RISK

Risk management is an integral part of everyone's day-to-day responsibilities and activities. It is linked to performance and development, as well as to the group's remuneration and reward schemes. We aim to create an open and transparent working environment, encouraging employees to engage positively in risk management in support of the achievement of our strategic objectives.

THE ROLE OF MANAGEMENT

We have assigned climate-related responsibilities to several individuals and committees across the business.

Our group chief executive has responsibility for bringing climate-related matters to the board. Through his position as co-chair of our responsible business committee, he oversees our responsible business programme, including our approach to achieving net zero emissions by 2050 and delivery of our near-term targets.

Meanwhile, our chief risk officer (CRO) is the senior management function responsible for climate-related financial risks, as designated in accordance with the Prudential Regulation Authority's Supervisory Statement on managing financial risks relating to climate change (SS3/19). The CRO reports to the non-executive director who chairs the board's risk committee. The CRO plays an important role in identifying and understanding the risks to which Rathbones is exposed.

There are several teams involved in assessing, managing and reporting on our climate risk. Operationally, our finance, risk and compliance, research and investment teams, alongside our supplier management function and properties and facilities departments, all contribute to supporting our approach. At an organisational level, responsibility for climate change-related matters lies with the company secretary and is led by our responsible business manager.

Our responsible investment specialists support the work of our investment committees, periodically attending meetings to ensure that ESG factors and risks are adequately represented in discussions, a process supported by ongoing ESG training for all professional employees.

EMPLOYEE ENGAGEMENT AND REMUNERATION

Risk culture embedded across the group enhances the effectiveness of risk management and decision-making. The board supports a strong risk culture, reinforced by our executive and senior management team, which encourages appropriate behaviours and collaboration on managing risk across the group. We aim to create an open and transparent working environment, encouraging employees to engage positively in risk management in support of the achievement of our strategic objectives.

From 2022, ESG measures have been incorporated into the variable pay component for our group executive committee members, including our group CEO and group CFO. Our ESG measures include progress towards our near-term net zero targets. In our [annual report and accounts](#) pages 133 to 135 we share the outcomes of the

non-financial strategic measures included in 2022 executive remuneration. These include the proportion of clients who have had a discussion with their investment managers on responsible investment in the year, validation of our SBTi aligned targets and improved CDP and MSCI ratings.

TRAINING

In January 2022 we piloted and implemented the roll out of a more robust client process under which investment managers in the RIM business were trained on how to consider ESG risk and opportunities and how to engage with clients on the matter. Investment managers began to have structured responsible investment conversations with their clients, actively seeking their views and needs within the context of their broader financial goals. In preparation for this, since roll out in 2021 almost 400 employees have successfully studied for the Chartered Institute for Securities & Investments ESG certificate, of those over half were investment managers or directors.

When assessing climate risks and opportunities, we recognise the reliance on data. Acknowledging that data availability may be patchy, lagging or biased towards larger companies and certain geographical markets, we have taken a thoughtful approach to data and model management to mitigate gaps or inconsistencies. Our integration framework is heavily informed by data. However, it emphasises qualitative verification and input from our financial analysts and responsible investment specialists. In 2023 we're developing further training and guidance for our investment professionals to empower them to incorporate consideration of material ESG metrics into investment decisions.



STRATEGY

WE BELIEVE IN THINKING, ACTING AND INVESTING FOR EVERYONE'S TOMORROW. THIS IS WOVEN INTO OUR BUSINESS STRATEGY AND VALUES AND IS CORE TO OUR DAY-TO-DAY DECISION-MAKING. TOGETHER WITH A LONG-TERM FOCUS, WE'RE ABLE TO DELIVER GOOD FINANCIAL OUTCOMES, CREATE VALUE FOR OUR CLIENTS AND AT THE SAME TIME MAKE A POSITIVE CONTRIBUTION TO SOCIETY

STRATEGY CONTINUED

OVERVIEW

Climate change is a global threat to our economies, societies, and financial systems, which requires mitigation and adaptation to restrict the rise in global temperatures to 1.5°C above pre-industrial levels. That's why we have committed to becoming a net zero business by 2050 or sooner, with our 1.5°C aligned targets validated by the Science Based Target initiative (SBTi) in 2022.

How we identify, manage and respond to the climate-related risks and opportunities that we face as a business is a core part of this commitment and the broader transition to a low-carbon economy. This in turn ensures that we continue to deliver on our strategic priorities.

RATHBONES' STRATEGIC FOCUS

The board believes that the most significant climate-related risk to our company is the potential negative impact on the investment performance of our clients' portfolios. This may affect our organisation and stakeholders in the short, medium and long term. As we work to enrich the client and adviser experience, we continue to integrate climate considerations into our investment approach and provide our clients with products that not only meet their financial needs but can also adapt to the continually evolving environment. Our overall approach to achieving this is outlined in our [climate change statement](#).

Our goal is to continue to integrate climate-related issues in our investment approach, improve the quantity and quality of our climate-related disclosure to clients and the wider public, and scale up voting and engagement efforts in line with our ambition. This work, delivered by a cross-functional team under the remit of the responsible business

committee, broadened the boundaries of our emissions calculations to include both supply chain exposure and the impact of our clients' investment holdings. Using data taken as of 31 December 2020 as our base year, we identified the most appropriate methodologies to calculate the firm's decarbonisation trajectory.

Whilst the most material aspect of our impact is through the investments we make on behalf of our clients, we continue to work to operate more efficiently, reducing our direct footprint. Whether through the move to more efficient buildings, understanding the impact of our suppliers and partners or continued investment in digital transformation, we are committed to working across our footprint to deliver long-term reductions.

More details about our net zero commitment can be found in the [metrics and targets](#) section of this report.

RATHBONES' CLIMATE-RELATED RISKS AND OPPORTUNITIES

Rathbones recognises the potential impacts on our business, including those associated with the transition to a low carbon economy and the physical effects of climate change. We have identified a variety of risks that fall across the short, medium and long-term, which are defined in the table opposite.

TIME HORIZONS

Transition and physical risks materialise across different timelines. We have defined the timelines:

SHORT-TERM

<1 YEAR

MEDIUM-TERM

1-5 YEARS

LONG-TERM

>5 YEARS

Our risk timeframes align with those we use for going concern and our viability statements. For going concern we use a period of at least 12 months from the financials. Our viability statement is medium term (three years), which mirrors the risk assessment approach. This was reduced two years ago from five years, to manage the fact that the longer we look out the more uncertainty there is.

STRATEGY CONTINUED

CLIMATE-RELATED RISKS

As a business, we consider a number of transitional and physical risks. A description, magnitude, timeframe and progress update in the reporting year is provided against each climate-related risk in the table below. For more details on how we identify, manage and respond to these risks, please see the [risk management](#) section of the report.

As investors, we allocate capital across economies globally. We, alongside other financial service sector participants, can provide capital to organisations that are positioned to provide solutions to the problems caused by climate change. Transitioning to a low carbon economy requires large funding support from the private and public sectors. We believe that our ability to identify and allocate to these types of investments, where it also

makes financial sense, is in the interests of clients and broader society. Our focus on responsible investment, coupled with the close relationships we foster with our clients, means we believe we can support clients in their own decarbonisation journeys and plan for their long-term future. Our attention to date has been ensuring the full identification of climate-related risks and ensuring we have climate risk formally integrated into our risk framework. Looking forward, we will be turning our attention to the identification of climate opportunities. We have identified a variety of opportunities that fall across the short, medium, and long term, which are defined in the table on pages 19 and 20.

Magnitude	Risk trend	Time horizon
 High	 Increasing	 Long-term
 Medium-high	 Stable	 Medium-term
 Medium	 Decreasing	 Short-term
 Low		

RISK TYPE & RISK	DESCRIPTION	2022 PROGRESS / UPDATE
TRANSITIONAL		
 Reputational  Not managing climate transition risk within our existing portfolios  Risk category: Reputational	An increase in the likelihood of compensation and loss of business if we do not deliver on our fiduciary duty to clients by managing climate transition in our portfolio construction. This could also include a potential loss in market share if we fail to accurately communicate the climate-related credentials of our ethical and ESG-focused investment funds.	We review our investment risk policy at least annually. This alongside our engagement programme which includes a focus on climate and delivery of net zero plans by our investee companies, supports our response to the changing landscape and increased regulation. In 2022, we continued to offer training for our investment managers to support client conversations and risk review as part of portfolio construction. This training helps to support open and transparent communication with our stakeholders on consideration of climate risk as part of the investment process. In 2022, we increased the number of our clients had a conversation with their investment managers on ESG integration.

STRATEGY CONTINUED

Magnitude	Risk trend	Time horizon
 High	 Increasing	 Long-term
 Medium-high	 Stable	 Medium-term
 Medium	 Decreasing	 Short-term
 Low		

RISK TYPE & RISK	DESCRIPTION	2022 PROGRESS / UPDATE
TRANSITIONAL (CONTINUED)		
 Policy  Emerging regulation and enhanced emissions-reporting obligations Risk category: Regulatory, compliance and legal	Forecasts predict that over the coming 10 years the gas Climate Change Levy (CCL) will rise substantially adding additional operating costs for Rathbones. Increased climate-related reporting obligations such as SECR and TCFD incur additional costs to ensure compliance. We expect that current reporting frameworks out for consultation may also incur cost for compliance. The risk of failure by the group or a subsidiary to fulfil its regulatory or legal requirements and comply with the introduction of new or updated regulations and laws.	We continue to ensure that our operating model supports our policy and reporting obligations by increasing the resources allocated to the responsible business function. In 2022, we continued the annual retention of external consultants to support the business and ensure continued compliance with existing and emerging regulation. Our strategic change agenda focuses outcomes on emerging regulatory compliance, including future regulatory compliance e.g the Sustainability Disclosure Requirements In 2022, the executive risk committee reviewed our gap analysis and progress plan for the 2022 report.
 Market risk  Inability to attract co-financiers due to uncertain risks related to climate Risk category: Sustainability	This risk, which we have called sustainability risk was developed in our taxonomy in 2020 and was defined as the risk that the business model does not respond in an optimal manner to changing market conditions, including environmental and social factors, such that sustainable growth, market share or profitability is adversely affected. This could result in loss of clients which could have a significant revenue impact.	We are aware of the long term shift in customer expectations and preferences towards more ethical and ESG focused funds and must adapt accordingly to this market change. In response to this, we continue to offer ethical and ESG focused funds. Our Ethical Bond Fund reached £2.2 billion at 31 December 2022 (2021: £2.8 billion) while the Rathbone Greenbank Global Sustainability Fund now manages £69 million (2021: £116 million). We also offer the Rathbone Greenbank Multi-Asset Portfolios (RGMAPs) fund range. The RGMAPs funds are managed by Rathbones' multi-asset team and supported by Rathbone Greenbank Investments and though nascent, now manage £168 million. To support this growth we continue to ensure we have the right resource in place and work to have data available to help our assessment of the risk and opportunities for the investments we make on behalf of our clients'.

STRATEGY CONTINUED

Magnitude	Risk trend	Time horizon
 High	 Increasing	 Long-term
 Medium-high	 Stable	 Medium-term
 Medium	 Decreasing	 Short-term
 Low		

RISK TYPE & RISK	DESCRIPTION	2022 PROGRESS / UPDATE
TRANSITIONAL (CONTINUED)		
 Product & Services  Technology -  Substitution of existing products and services with lower emission options. Risk category: Sustainability	Rathbones recognise the importance of Technology and IT processes and the risk failing to improve this poses to our own operations and in our value chain. This is particularly important to ensure we continue to manage and monitor our carbon footprint accurately, and inform carbon reduction efforts in line with our SBTi targets.	2022 saw a continued reduction in utilised datacentre capacity due to consolidation and decommissioning exercises. Further utilisation of cloud computing features mean we can now scale up and down the services needed thereby saving energy, cost and effort when not in use. With over 50% of our clients now utilising MyRathbones and following the reduction in printing as a result of the pandemic, work continues to maintain these savings. This is supported by the introduction of a print management system including a centralised print management and reporting facility and improved digital tooling. Hybrid working driven by the pandemic has seen improvements in initiatives such as desk-based video calling and virtual collaboration and we expect to see a continued reduction in travel and subsistence costs in future, along with reduced daily commuting for our employees as we adopt a more flexible approach to the workforce.
PHYSICAL		
 Acute  Risk category:  Business continuity	Extreme weather could cause disruption to our business operations and continuity. Whether directly or through the impact on our supply chain. This may result in increased operational expenses to rectify the damage.	We continue to enhance our business resilience framework. We maintain business continuity plans (BCP) to facilitate our ability to continue operating in the event of a disruption. At Rathbones, we aim to have effective, proportionate, and resilient business continuity arrangements in place across the group, to prevent, respond to, recover from and learn from disruptions; we ran a cycle of contingency testing in 2022. Outside of our direct operations, we maintain oversight of critical and significant supply chain. In 2022, we continued to roll out an ESG review of our critical, strategic and preferred suppliers engaging with 69% by year end. By cost, this included just under 52% of our total 2021 spend (prioritisation for engagement in 2022 was based on year-end 2021 spend). This included whether they had set environmental targets aligned with a net zero commitment. We also ran our supply chain through a third party spend based footprint calculation tool to understand our full scope-three value chain footprint.
 Chronic  Risk category:  Suitability	We have investments in global companies that are reliant on efficient manufacturing. Chronic changes in weather patterns or rising sea levels may impact their operations and consequently the financial value of their company assets which may result in increased operational expenses and lower returns for our clients. This in turn leads to a risk of our current clients leaving and not being able to attract new clients as they may feel we have not considered the material risks impacting their investments.	We have developed responsible investment frameworks and data to focus on issues such as materiality, sustainability alignment, climate and other ESG metrics. Over the past year we have enhanced these frameworks with more granular detail, taking into account sectoral considerations. In tandem, we are developing sector specific standards informed by industry focused indicators, our own research expertise and engagement activities. The application of the integration approach is tailored to fit the relevant investment service or mandate, this means that the investment manager or fund manager is accountable for interpreting ESG and stewardship information to inform investment decisions in the context of the suitability of the mandate or client objective.

STRATEGY CONTINUED

CLIMATE-RELATED OPPORTUNITIES

Magnitude	Risk trend	Time horizon
 Medium-high	 Increasing	 Long-term
 Medium	 Stable	 Medium-term
 Medium-low	 Decreasing	 Short-term

Importantly, the transition to a low-carbon economy also provides Rathbones with opportunities which, if acted on, stand to benefit the business. An overview, timeframe and a description of our strategy to realise each opportunity is provided in the table below.

OPPORTUNITY & DESCRIPTION	STRATEGY TO REALISE OPPORTUNITY	2022 PROGRESS / UPDATE
 Products & Services  Shift in consumer preferences leading to increased revenues from increased demand for products and services. All of the regulatory opportunity drivers listed have the potential to affect our business through the impact they may have on companies or assets in which we invest.	An opportunity for us lies in the development of new products and solutions, developing an offering that meets client needs. Delivered through innovative low carbon solutions that demonstrate our commitment to managing climate risks and impacts effectively throughout our clients' financial journeys. By embedding climate risk thoroughly across client portfolios, we will identify opportunities created by the transition to a low carbon economy. Future client offerings will leverage existing solutions across our business, from our ethical, sustainable and impact investment specialists at Greenbank, through to sustainable and ethical funds already available through Rathbone Unit Trust Management, such as the Rathbone Greenbank Global Sustainability Fund and the new fund range released in 2021 our Rathbone Greenbank Multi-Asset Portfolios (RGMAPs) fund range. Through our responsible investment and responsible business committees, we have the capacity to monitor regulatory opportunities as they emerge and incorporate them into our investment policies. This should enable us to adapt our investment strategies as necessary in order to maintain current levels of investment performance and continue to meet our clients' expectations in terms of projected returns. We believe this approach could support us in expanding our customer base.	Creation of a client team to inform client proposition, strategy and insight. Delivered enhancements to ESG integration approach, developed climate metrics and evolved approach to engagement with priority companies.
 Markets  Improved ratings by sustainability/ ESG Indexes. We have made it a priority to join collaborative efforts and become signatories of reputable indexes, as we recognise that many ESG issues are systemic, and hence are more suited to coordinated cross-sectoral action.	Where appropriate, and in line with our conflicts of interest policy, we will seek to engage with reputable sustainability indexes or collaborative efforts. In line with this, we have become signatories or aligned with several high-level collaborative organisations. We support the work of the: - Principles of Responsible Investment (PRI) - Institutional Investors Group on Climate Change (IIGCC) - Net Zero Asset Managers Initiative - Net Zero Investment Framework As members of such organisations, we have the capacity to contribute towards the improvement of several important climate and ESG issues.	Responded to sustainable disclosure requirements (SDR) consultation, supporting the development of transparent client communication on sustainability matters. Continued our role as lead investor for SSE Plc & National Grid Plc through Climate Action 100+ and as lead investors for an IIGCC engagement with Rio Tinto & Thyssenkrupp on net-zero audits. Joined the Taskforce on Nature-related Disclosures (TNFD) Forum to support broader discussions on biodiversity.

STRATEGY CONTINUED

Magnitude	Risk trend	Time horizon
 Medium-high	 Increasing	 Long-term
 Medium	 Stable	 Medium-term
 Medium-low	 Decreasing	 Short-term

OPPORTUNITY & DESCRIPTION	STRATEGY TO REALISE OPPORTUNITY	2022 PROGRESS / UPDATE
 Markets  Improving the ESG performance of the companies which we invest in.  As a discretionary wealth manager, our approach allows us to work closely with clients to determine their individual goals and long-term plans, including their views on environmental, social and governance (ESG) matters.	We believe that ESG issues – both risks and opportunities – can affect the long-term performance of investments. We will continue to build out our research, data and decision frameworks so that we can better understand and weigh up ESG factors alongside other investment considerations. Our aim is to develop a more comprehensive view of a business' strategy, the way it executes this strategy and the dynamics of its sector than can be achieved solely through a financial lens. We do this by using ESG data, engaging with companies and exercising our carefully considered judgement. This helps us identify companies with stronger sustainability performance and those with whom, through engagement, we see potential to improve business practices to create value for shareholders.	Continued the integration of ESG factors into our investment processes. Identified companies for climate-related engagement and in line with our pillars of responsible investment. Using scenario analysis and the map of SBTi commitments against our clients' investments, we identified priority companies which we believe by engaging with we could support future alignment to a 1.5°C world.

STRATEGY CONTINUED

THE IMPACT OF CLIMATE-RELATED RISKS AND OPPORTUNITIES ON OUR BUSINESS

The climate-related risks and opportunities that we face as a business occur across both our direct operations and our investments, influencing both our business strategy and financial planning. Climate risks are considered as part of the suite of stress tests and potential stress tests that we use to support our International Adequacy Assessment Process (ICAAP) calculations. Climate-related risks are considered as a potential driver of market failure with change as a cause and the implications mapped.

Many of the climate-related risks faced as a business are also factored into resourcing decisions. As an example, as climate-related reporting requirements and the availability of data continue to increase, we must continue to integrate, monitor and report on climate impacts, which may require the allocation of additional resources.

Whilst our commitment to becoming a net zero business by 2050 or sooner includes both our direct operations and our investments, we recognise that the majority of our greenhouse gas emissions and other climate-related risks are derived from the investments we hold on behalf of our clients. The following section provides an overview of our approach across our operations and investments.

OUR OPERATIONAL IMPACT

Our initial assessment of our environmental impact focused on our own operations. In this regard, we continue to pursue an absolute reduction in our operational carbon footprint and offset residual emissions, alongside responding to the operational climate-related risks and opportunities that we face as a business.

The focus of our operational carbon reduction efforts is primarily directed on the following areas:

- resource consumption
- energy efficiency
- digitising our business
- business travel.

Additionally, the impact of climate is considered as we review office locations, as evidence with our London and Edinburgh office selections. For more detail on our approach to reducing our operational footprint and our progress in 2022 please see page 15 of our [responsible business update](#).

OUR INVESTMENTS

We see it as our responsibility to be good, long-term stewards of our clients' wealth and believe it is in the interests of our clients that the companies and securities we invest in to adopt good practice in managing ESG risks. As members of the UN-supported Principles for Responsible Investment (PRI) for over 12 years, we use the PRI's six principles to inform our approach. This provides each company with a framework for managing its operations in the long-term interests of its shareholders.

In 2019, the existing governance structure for responsible investment was reviewed and a group-wide responsible investment committee formed, to feed into business unit decision-making processes and report to the responsible business committee on our approach to the integration of climate risk and broader responsible investment issues.

The committee oversees our responsible investment policy and reviews towards our SBTi-aligned target and commitment to net zero by 2050. Our near-term target commits 35% of our listed equity and bonds portfolio, by invested value, committing to or setting SBTi-validated targets by 2025, 57% by 2030, and 100% by 2040, from a 2020 base year. In 2022, our portfolio coverage amounted to 22.9% (+5.9% since 2021). Progress towards our target is driven by the application of four principles outlined below.

The overarching responsible investment principles are consistent and resources are complementary across business areas, for example leveraging information and data and collaborating in our engagement activity. The application of the integration approach is also tailored to fit the relevant investment service or mandate, this means 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.

In addition to the consideration of climate risk in our general investment process, we offer investment management offerings from Rathbone Greenbank Investments, as well as the Rathbone Greenbank Global Sustainability Fund, Rathbone Ethical Bond Fund and Rathbone Greenbank Multi-Asset Portfolios (GMAPs).

This approach is fully aligned with our corporate purpose of thinking, acting and investing for everyone's tomorrow, and is delivered through our [strategic objectives](#).

More details on our approach and progress under each of these four pillars can be found in the [risk management section](#) of this report.

STRATEGY CONTINUED

The responsible investment committee oversees our responsible investment policy and the application of our four principles:

**ESG INTEGRATION**

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

**VOTING WITH PURPOSE**

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

**ENGAGEMENT WITH CONSEQUENCES**

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

**TRANSPARENCY**

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

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

2. We also prioritise engagement to address non-systemic issues that may be material to investors holding specific investments

STRATEGY CONTINUED

CLIMATE SCENARIO ANALYSIS

OVERVIEW

Climate scenario analysis helps us understand the implications of possible climate pathways (scenarios) on our investment portfolio, and therefore the resilience of our investment strategies in the transition to a net zero economy.

Considering the implications of different scenarios on our holdings helps us better understand and quantify the risks and uncertainties our investee companies may face under different possible futures, and how current or potential trajectories could drive business value. At a granular level, it allows us to identify companies which are particularly exposed to transition or physical risks, and which ones are likely to benefit from low-carbon technology opportunities. We use these results, combined with other climate metrics, to identify priority companies for engagement and monitoring, and to explore the role we can play alongside policy and corporate action to mitigate climate risk and promote climate-related opportunities.

Our analysis is based on the securities we held at the end of June 2022 (half-year) and cover 35% of our FUMA (91% of equity holdings).

CLIMATE VALUE-AT-RISK (CLIMATE VaR)

Our approach to scenario analysis involves assessing the exposure of our equity and corporate bonds holdings by applying MSCI's Climate Value-at-Risk (Climate VaR) methodology¹. This methodology provides a forward-looking and return-based valuation assessment to measure climate related risks and opportunities of publicly listed companies and their issued securities, offering insights into how climate change could affect financial outcomes in different scenarios. As both costs and opportunities are covered, the Climate VaR can be either negative or positive depending on the balance of future anticipated carbon-related costs and revenues for individual companies.

There are several scenarios and models available, and each is different, but it is possible to compare scenarios. This benchmarking shows that NGFS supports analysis against a number of transition pathways and factors, including regional carbon pricing. It is also generally preferred by most banks and prudential supervisory authorities. It undergoes regular review and updates. Having compared options, the responsible investment committee reviewed our approach and agreed that for 2022 we would continue to use NGFS REMIND. We access the NGFS scenarios through MSCI.

We calculated the potential impact on the value of our equity holdings for ten scenarios (five transition risk scenarios combined with two physical risk scenarios), reflecting the different emission projections and associated temperature pathways.

MSCI's physical risk data measures exposure to nine different climate-related hazards on company facilities, both acute and chronic, grouped into 'average' (or 'most likely scenario') and 'aggressive' (or 'worst case scenario'), varying with the expected degree of physical risk.

The five transition scenarios² we have chosen to assess against our investment holdings are the following:

- 1.5°C / NGFS / Orderly
- 1.5°C / NGFS / Disorderly
- 2°C / NGFS / Orderly
- 2°C / NGFS / Disorderly
- 3°C / HOT HOUSE WORLD / Nationally Determined Contributions (NDCs)

Orderly scenarios assume that global climate action occurs steadily and efficiently, while disorderly ones assume significant climate action but with delays or regional tensions. The Hot-House World scenario assumes limited additional climate action is taken. In the more optimistic Hot-House World narrative, countries fulfil their Nationally Determined Contributions (NDCs) but nothing more, leading to warming of over 2.5°C in 2100.

1. The Climate VaR represents a combination of the Physical Climate VaR (downside or upside of extreme weather events), the Policy Climate VaR (future policy risks), and the Technology Climate VaR (technology opportunity profits). The portfolio's Climate VaR, or Aggregated Climate VaR, is a weighted aggregation of each securities' Climate VaR

2. The TCFD recommends investors consider a set of scenarios, including a '2°C or lower scenario' in line with the Paris Agreement. Additionally, we have included a number of additional temperature scenarios to help understand the implications of climate action failing on our portfolio.

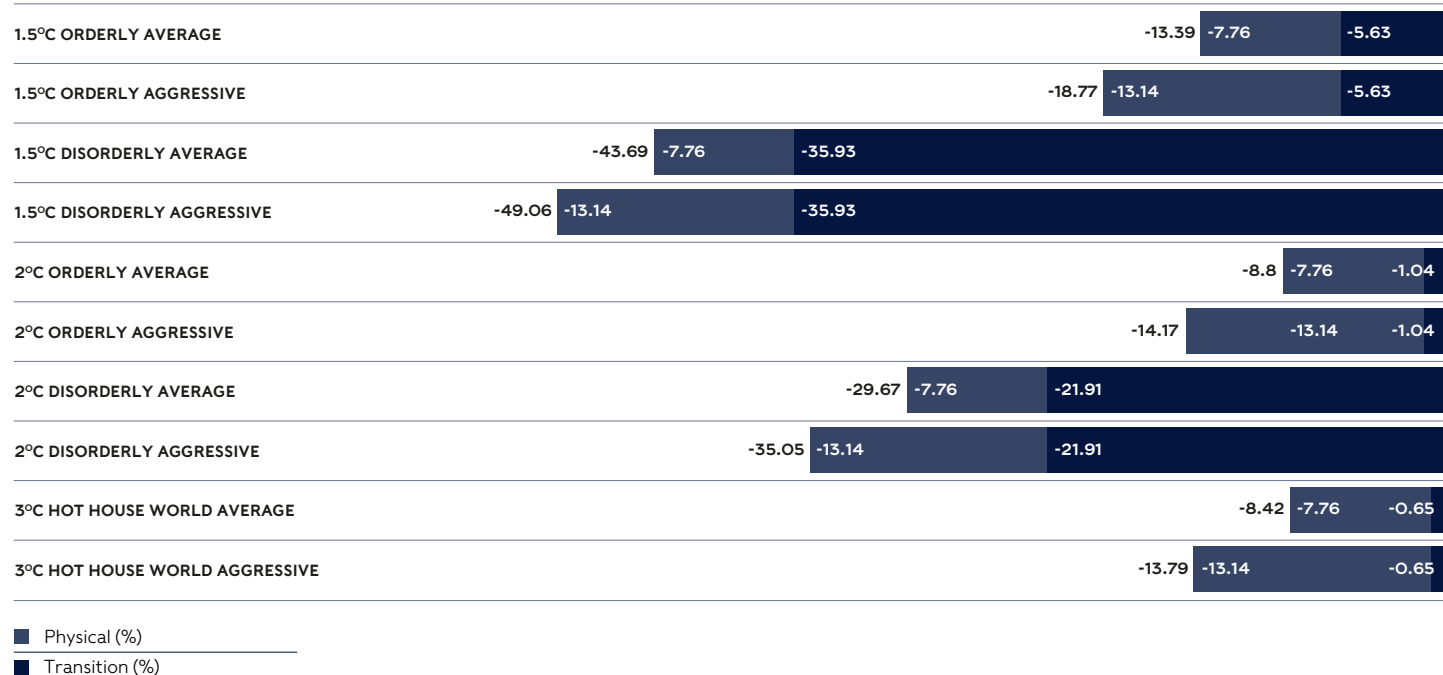
STRATEGY CONTINUED

RESULTS

As part of our net zero commitment, and in line with the Paris Agreement, we pursue a 1.5°C scenario. The purpose of the analysis is therefore to understand the differences between orderly and disorderly scenarios in a 1.5°C pathway, as well as the potential implications on our holdings at different levels of temperature rise.

The results in the graph to the right indicate that orderly scenarios are preferable to disorderly scenarios and that aggressive physical scenarios have greater negative impacts on our VaR than average physical scenarios. As expected, transition risk is projected to be higher in scenarios where emissions are limited the most; likely as a result of policy and regulatory changes, technological developments, and changes in market and customer sentiment that will be more prominent in 1.5°C scenarios. However, we believe that these results alone do not accurately depict the VaR associated with physical changes across different temperature scenarios, due to the limitations associated with the methodology (more detail provided in [last year's TCFD report](#)). With additional analysis, we are able to draw useful conclusions from the data, which we will use to inform our engagement process and investment decisions in the long-term. Further insights from the analysis are explored over the next few pages.

AGGREGATED CLIMATE VAR (%)



STRATEGY CONTINUED

KEY FINDINGS

Value is most at risk from a disorderly transition. The highest risks to our portfolio are found in scenarios where most of the climate action to limit warming to 1.5°C or 2°C happens in the later part of the century and in a disorderly fashion. Disorderly scenarios experience higher transition risk due to policies being delayed or divergent across countries and sectors, along with typically higher carbon prices. As time goes on and new markets and technology opportunities continue to open up, the risk of stranded assets also increases. By contrast, in orderly scenarios, climate policies are introduced early and become gradually more stringent, consistent with the Paris Agreement.

THERE ARE CLEAR ADVANTAGES IN PURSUING AN ORDERLY TRANSITION TO 1.5°C

To illustrate this point, it is useful to look at the impacts for both transition risks and opportunities in the 1.5°C NGFS Orderly scenario, and the 2°C NGFS Disorderly scenario. These two scenarios are particularly useful as they give a likely range of outcomes: either policymakers take decisive action to limit global warming and succeed in reaching net-zero by 2050 in line with the Paris Agreement goals, or they delay action further, thereby imposing significantly higher costs but still limiting global warming to 2°C. The results show that the transition risk is considerably higher in the 2°C NGFS Disorderly scenario: -21.91% Climate VaR contribution, versus -5.63% Climate VaR contribution in the 1.5°C NGFS Orderly scenario.

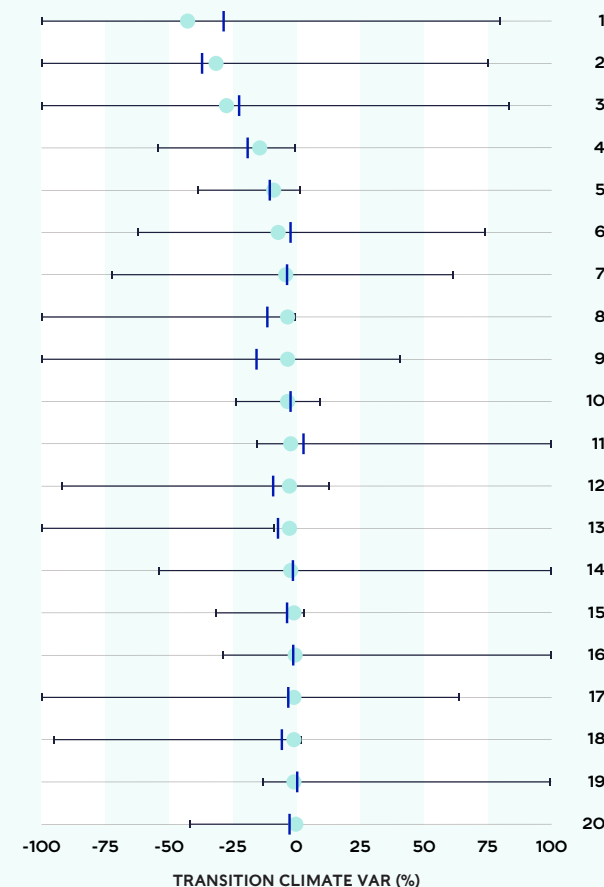
SECTORAL VARIATIONS CAN BE SIGNIFICANT

In the 1.5°C orderly scenario, the transition risk is highly concentrated in carbon-intensive sectors and industry groups such as transportation, energy and materials. In the 2°C disorderly scenario, although these sectors still carry the highest policy risk, other industry groups would now be significantly affected, such as food and staples, telecoms, and utilities.

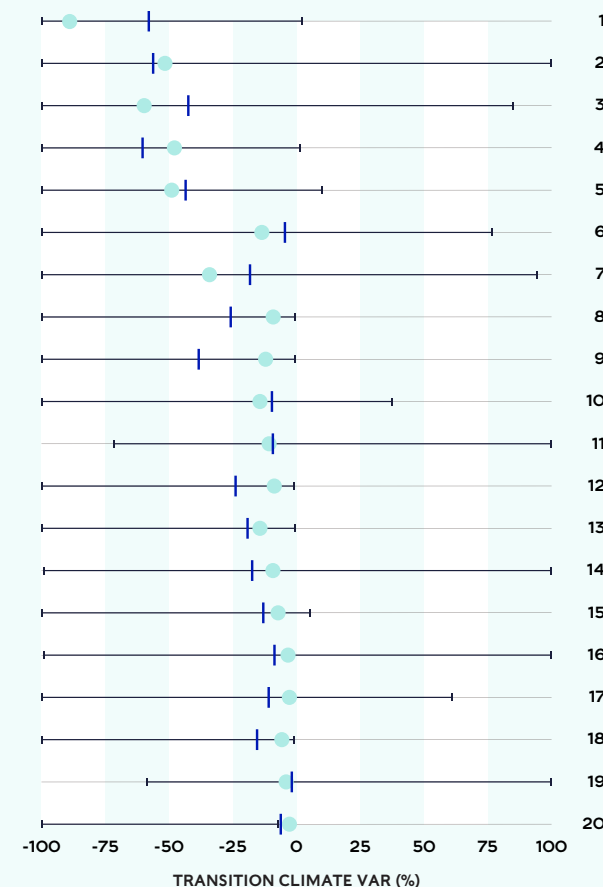
STRATEGY CONTINUED

- Weighted Average Aggregated Transition CVaR in sector
- | Arithmetic Average Aggregated Transition CVaR in sector
- Spread between highest and lowest Aggregated Transition CVaR in each sector

1.5°C ORDERLY SCENARIO, TRANSITION CLIMATE VAR SPREAD BY PRIMARY SECTORS OF ACTIVITY – WEIGHTED SECURITIES



2°C DISORDERLY SCENARIO, TRANSITION CLIMATE VAR SPREAD BY PRIMARY SECTORS OF ACTIVITY – WEIGHTED SECURITIES



The charts to the left provide an understanding of the sector-level risks found within the holdings we have on behalf of our clients. Sectors are displayed in order of risk exposure, starting with the highest.

SOME COMPANIES' NEGATIVE CONTRIBUTION TO OUR AGGREGATED CLIMATE VAR EXCEEDS 1%

Our scenario analysis exercise allows us to identify which companies are the most exposed to transition and physical risks, while also accounting for the potential positive impact of technology opportunities on individual companies. Although results may vary in different scenarios, we notice that some companies are big contributors to the portfolio's Climate VaR, which is a weighted aggregation of each securities' Climate VaR.

SECTOR KEY

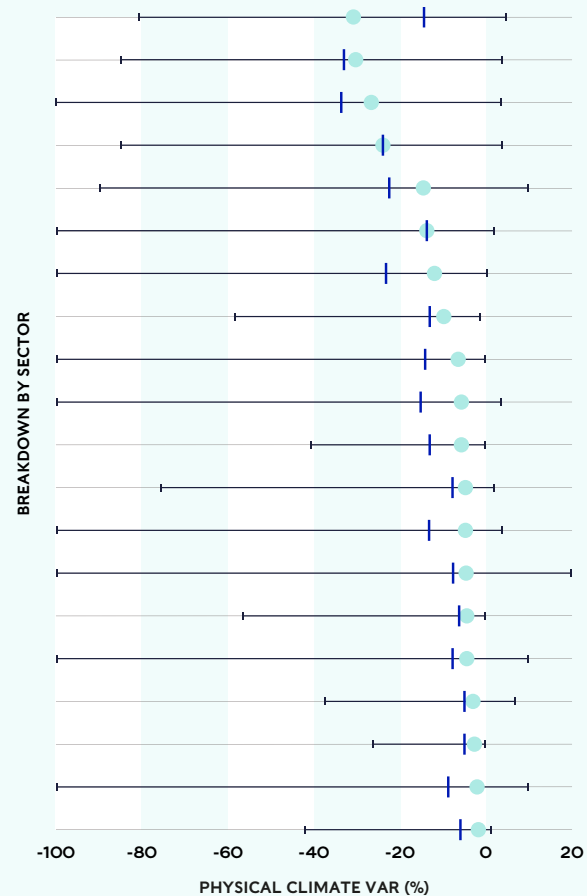
- 1 Transportation
- 2 Energy
- 3 Materials
- 4 Food and staples retailing
- 5 Telecommunication services
- 6 Automobiles and components
- 7 Utilities
- 8 Consumer services
- 9 Food, beverage and tobacco
- 10 Diversified financials
- 11 Household and personal products
- 12 Retailing
- 13 Banks
- 14 Commercial and professional services
- 15 Insurance
- 16 Health care equipment and services
- 17 Consumer Durables & Apparel
- 18 Real estate
- 19 Pharmaceuticals, biotechnology and life sciences
- 20 Media & Entertainment

The blue circles illustrate the aggregated Transition Climate VaR in each sector weighted according to the security weights of the portfolio. The grey bars represent the arithmetic average of the aggregated Transition Climate VaR in each sector. The black error bars are a measure of the variability in that sector's Transition Climate VaR - demonstrating for each sector the spread between maximum and minimum values

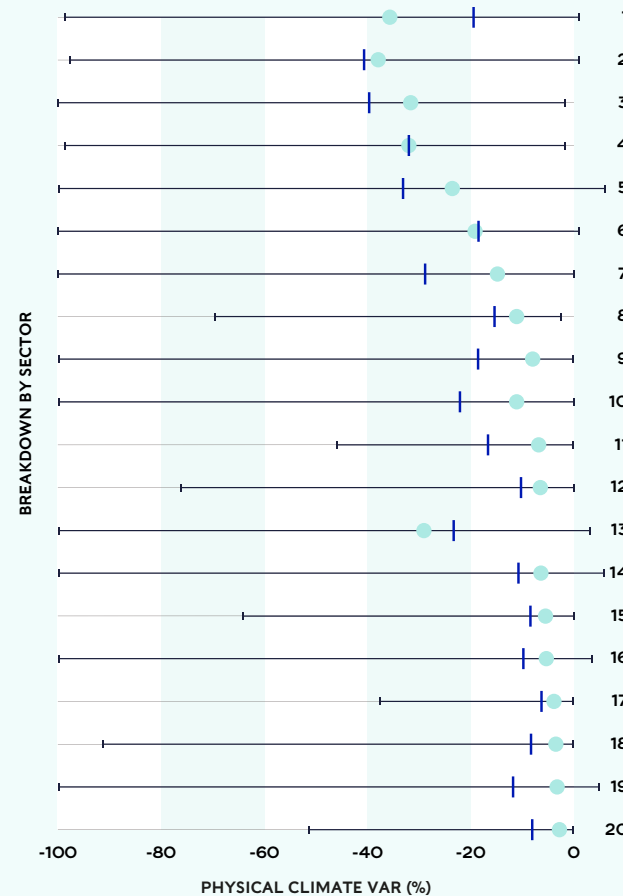
STRATEGY CONTINUED

- Weighted Average Aggregated Physical CVaR in sector
- | Arithmetic Average Aggregated Physical CVaR in sector
- Spread between highest and lowest Aggregated Physical CVaR in each sector

PHYSICAL CVAR SPREAD BY PRIMARY SECTORS OF ACTIVITY – WEIGHTED SECURITIES (AVERAGE SCENARIO)



PHYSICAL CVAR SPREAD BY PRIMARY SECTORS OF ACTIVITY – WEIGHTED SECURITIES (AGGRESSIVE SCENARIO)



EXPOSURE TO PHYSICAL RISKS IS HIGHLY DEPENDENT ON THE SPECIFIC GEOGRAPHIC LOCATION

The impacts on our equity and corporate bond holdings show that extreme heat, and coastal and fluvial flooding contribute the highest risks to our investments. The contribution to the overall climate value at risk value from these physical factors varies between -7.76% for an average scenario to -13.14% in the aggressive model. Our analysis also indicates the top five countries in terms of Physical VaR according to our exposure in each. In a 3°C Hot House World, Climate VaR was the most negatively impacted in China, United States, United Kingdom, Singapore and Ireland across both aggressive and average scenarios.

SECTOR KEY

- 1 Insurance
- 2 Telecommunication services
- 3 Banks
- 4 Food and staples retailing
- 5 Utilities
- 6 Energy
- 7 Consumer services
- 8 Household and personal products
- 9 Food, beverage and tobacco
- 10 Transportation
- 11 Automobiles and components
- 12 Diversified financials
- 13 Real estate
- 14 Materials
- 15 Health care equipment and services
- 16 Capital goods
- 17 Pharmaceuticals, biotechnology and life sciences
- 18 Media & Entertainment
- 19 Retailing
- 20 Commercial and professional services

The blue circles illustrate the aggregated Transition Climate VaR in each sector weighted according to the security weights of the portfolio. The grey bars represent the arithmetic average of the aggregated Transition Climate VaR in each sector. The black error bars are a measure of the variability in that sector's Transition Climate VaR - demonstrating for each sector the spread between maximum and minimum values

STRATEGY CONTINUED

The two charts on the previous page provide an understanding of the sector-level risks found within our equity portfolio based on average and aggressive physical risk impacts. These charts can be used to identify the most at risk sectors, and the analysis also helps us to identify the companies most exposed to physical climate risks based on location of facilities, type of weather-related events, costs, and relative contribution to the overall physical risk of the portfolio.

Climate VaR allows us to identify sectors that are more resilient to climate risks: The transition to a low-carbon economy provides untapped growth potential. The results provide an indicator of which companies are more likely to be the beneficiaries if 3°C, 2°C or 1.5°C aligned climate policies are implemented on a global level, and which ones are more attuned to the low-carbon technological opportunities.

Our results show that technology opportunities are much higher in 1.5°C scenarios than in 3°C scenarios. Technology opportunities can positively contribute as much as +12.77% to Climate VaR in certain 1.5°C scenarios, helping compensate for negative policy risks in our transition risk scenarios. This contrasts with a less than 0.2% positive contribution of technology opportunities in our 3°C scenario.

LIMITATIONS OF SCENARIO ANALYSIS

When assessing the Climate VaR results for different scenarios, it is imperative to exercise caution. Notably, the TCFD recommendations are relatively new, as are the methodologies associated with scenario analysis. Therefore, in some cases, it is useful to complement the data acquired from third-party providers with in-house data and qualitative assessments that better reflect the nature of climate risks and opportunities.

Specifically, we recognise the limitations associated with our climate scenario analysis of physical risks. Currently, our methodology is limited in that the physical risk is static to the model: the average or aggressive scenario is plotted from the beginning, so the physical risk does not vary as a result of more stringent or more lenient efforts to curb emissions, and the subsequent lower or higher temperature achieved. We expect methodologies to continue to evolve so that future assessments will more accurately reflect the benefits of aiming for a 1.5°C scenario, namely higher transition VaRs compensated by lower physical VaRs. In 2023, Rathbones will continue to explore new scenario analysis methodologies, particularly with the aim to improve the representation of physical risks.

TRANSLATING SCENARIO FINDINGS INTO RESILIENCE

The findings from our scenario analysis are fed into our ICAAP consideration process. These insights are another factor we consider when we review the resilience of our investment approach at different temperature scenarios. This is complemented with the evaluation of ESG data sources to identify climate-related risks and opportunities and training to support our client teams with client conversations on the impact of ESG investments; all of which help to ensure that we continually assess and build the resilience of our business strategy to the impacts of climate change.

Although our focus on climate is not new, our net zero commitment sets a clearer direction of travel and a new pace for our engagement. Growing investor awareness and increasingly tangible climate risks require a shift in stewardship practices.

When using scenario analysis to understand the implications of different climate pathways (scenarios) to our portfolio, we are able to identify the companies most exposed to physical and transition risks. Although different scenarios may return different results, some companies appear consistently across different scenarios, which is good evidence of their high exposure to climate risks.

Whilst the main focus of our targeted net zero engagement is on high emitting companies which form a large proportion of our holdings, additional metrics are used to supplement the scenario analysis exercise and identify priority companies for engagement in the AGM season and in the regular cause of financial analysis. When combined, these metrics enhance our understanding of climate risk exposure and offer new layers of consideration when identifying priority companies for engagement.

For more details on how we engage with companies on climate-related risk and opportunities, please see the engagement with consequences section on page 34 of this report.

RISK MANAGEMENT

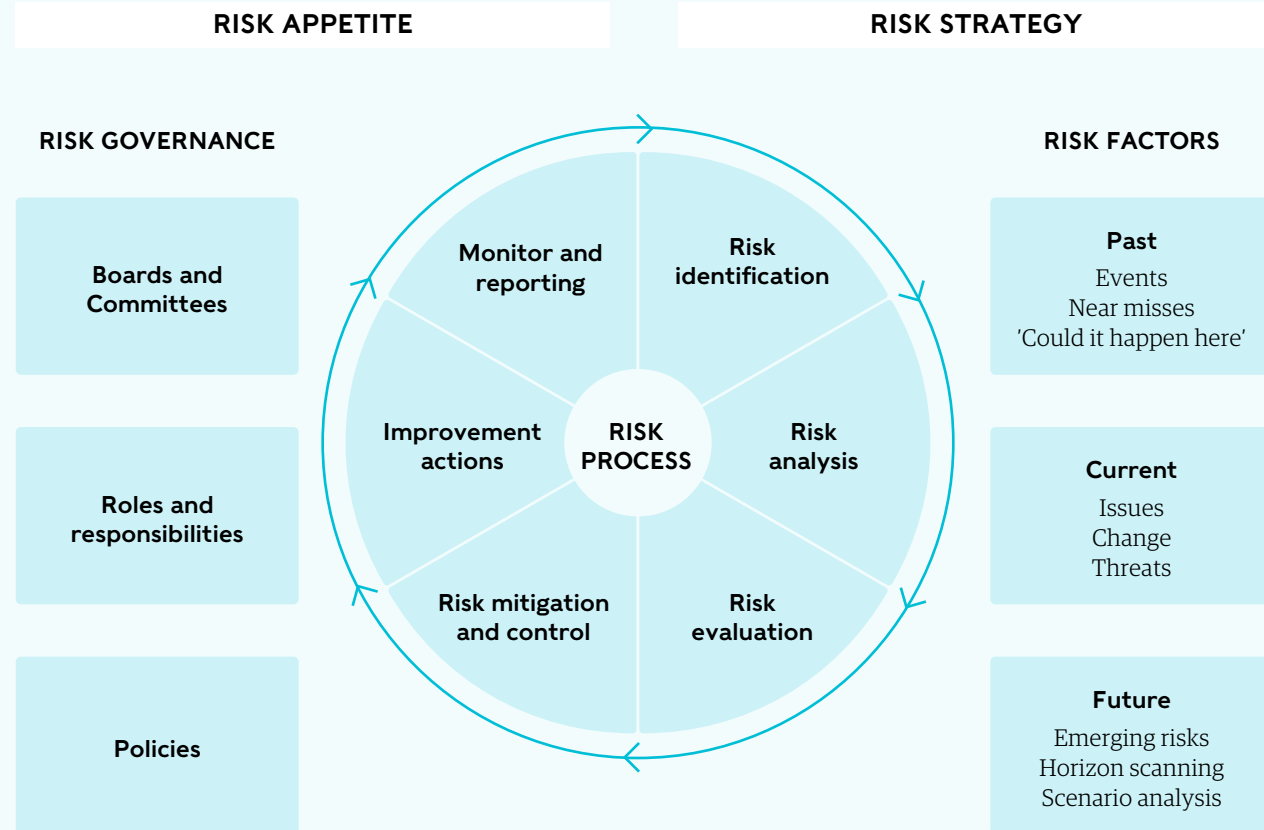
OUR APPROACH TO RISK MANAGEMENT IS FUNDAMENTAL TO SUPPORTING THE DELIVERY OF OUR STRATEGIC OBJECTIVES. OUR RISK GOVERNANCE AND RISK PROCESSES ARE DESIGNED TO ENABLE THE FIRM TO MANAGE RISK EFFECTIVELY IN ACCORDANCE WITH OUR RISK APPETITE AND TO SUPPORT THE LONG-TERM FUTURE OF THE FIRM

RISK MANAGEMENT CONTINUED

IDENTIFYING RISKS AND OPPORTUNITIES

Climate-related risks such as changes to existing regulation are identified and assessed as part of our hierarchical approach to risk management.

COMMUNICATION AND CONSULTATION



MONITORING AND REVIEW

RISK MANAGEMENT CONTINUED

Our risk management process operates continuously to identify, assess and respond to risks that could affect the delivery of strategic objectives and annual business plans. The board, executive and senior management are actively involved in this process.

More details on our full risk management process can be found on page 57 of our [annual report and accounts](#).

IDENTIFYING RISKS AND OPPORTUNITIES

Risks are identified within a three-tier hierarchy, with the highest level containing business and strategic, financial, conduct and operational risks. Risks are assessed on an inherent and residual basis across a three-year period, according to several impact criteria, and includes consideration of the internal control environment and/or insurance mitigation. Climate-related risks such as changes to existing regulation are identified and assessed as part of our hierarchical approach to risk management.

We also maintain a watch list to identify and evaluate current issues and emerging risks as a result of business development or changes in the regulatory landscape, as well as threats and issues in the wider external environment. This helps inform the view of the firm's current and longer-term risk profile. This can inform decisions and management action on strategy or change initiatives.

Stress tests are also undertaken to include consideration of the impact of a number of severe but plausible events that could impact the business. This work takes account of the availability and likely effectiveness of mitigating actions that could be taken to avoid or reduce the impact or likelihood of the underlying risks materialising.

As with other financial service firms, our exposure sits mainly in the investments we make on behalf of our clients. To date, we have relied on the stress test work undertaken as part of our ICAAP process to recognise the potential impact of climate or ESG risk on investment valuations, particularly for securities where ESG risk is high or unmanaged, thereby connecting these risks to our financial stability. Our financial stress testing and scenario analysis shows that the group would remain profitable in excess of our risk appetite tolerances for capital and liquidity, and would be able to withstand the impact of such scenarios.

The group's risk profile, risk register, watch list and stress tests are regularly reviewed and challenged by the executive, senior management, group risk committee and the board.

“WE HAVE A WELL-ESTABLISHED APPROACH TO RISK MANAGEMENT, WHICH HAS CONTINUED TO EVOLVE IN RESPONSE TO THE FIRM'S GROWTH AND EXTERNAL DEVELOPMENTS.”

RISK APPETITE

The board approves the firm's risk appetite statement and framework at least annually to ensure it remains consistent with our strategic objectives.

The group's risk appetite aligns with our prudential responsibilities for business and strategic, financial and non-financial (conduct and operational) risk. Specific appetite statements are set and measures established for each principal risk. The risk appetite framework supports strategic decision making, as well as providing a mechanism to monitor our risk exposures.

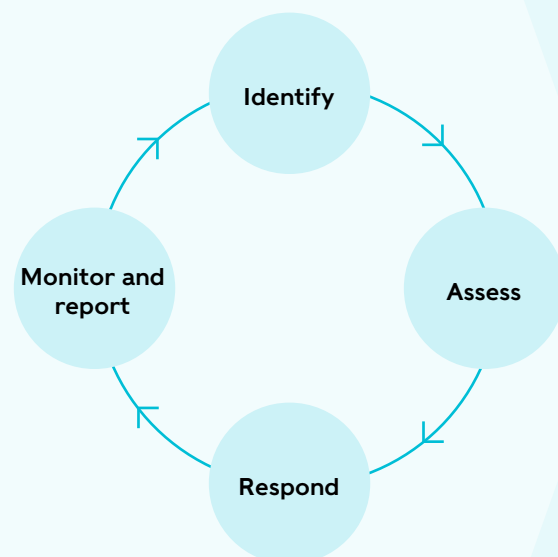
The position against our risk appetite statements and measures is assessed and reported on a regular basis to the executive committee, group risk committee and the board, so that risk mitigation can be reviewed and strengthened if needed.

In line with our strategy, the current economic outlook and the evolving regulatory landscape within the sector, the board remains committed to having a relatively low overall appetite for risk and ensuring that our internal controls mitigate risk to appropriate levels. The board recognises our performance is susceptible to fluctuations in investment markets and has the potential to bear losses from financial and non-financial risks from time to time, either as reductions in income or increases in operating costs.

In 2022, we reviewed our appetite for climate risk and built on the 2021 discussion around impact on our internal capital adequacy assessment process (ICAAP).

RISK MANAGEMENT CONTINUED

MANAGING RISKS AND OPPORTUNITIES



IDENTIFY

- Risks are identified in the context of the group's strategic objectives and annual business plans
- Risks identified on a top-down/bottom-up basis from group executive to business unit risk owners. A three tier hierarchy is used
- Group risk register contains four Level 1 risks, 20 Level 2 risks and 52 Level 3 risks
- Watch list maintained to identify and assess emerging or future risks and their impact on our risk profile.

ASSESS

- Continuous assessment of risks by the board, executive and business risk owners
- Risks are assessed on both an inherent and residual basis considering both their impact and likelihood
- Impacts are considered through multiple lenses including client, financial, regulatory and reputational
- Likelihood is considered across a 3-year period
- High rated principal risks are those which have potential to impact delivery of strategic objectives
- Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) assess and stress test principal risks across the Group.

RESPOND

- Risk management response is driven by the assessment of risk and risk appetite
- Risks will be escalated to senior and business management in line with their assessment for treatment or acceptance
- Control environment established to mitigate risks to an appropriate level
- ICAAP and ILAAP used to calculate regulatory capital required in the event that principal risks should crystallise.

MONITOR AND REPORT

- Risks are monitored and reported to governance committees across group
- Risk appetite, which is set by the board annually, is monitored by the business and risk team with measures in place to drive escalation as required
- Testing and assurance activity undertaken across our three lines of defence assesses the adequacy and effectiveness and of our control environment
- Risk events and control issues are reported through the governance framework across the group. This informs the ongoing assessment and identification of risks and management responses.

RISK MANAGEMENT CONTINUED

INCORPORATING CLIMATE-RELATED RISK INTO RATHBONES' OVERALL RISK MANAGEMENT

Climate risk has been integrated into our risk management framework to support the transition to net zero. Our stakeholders will become more demanding in response to evolving expectations of firms to manage climate and other ESG risks, which remain a key priority of our responsible business agenda.

Our exposure to climate-related risks is most material through the investments we make on behalf of our clients. The management of these risks is integrated into Rathbones' four core responsible investment principles. Climate risk is considered in our business and strategic risk category.



INTEGRATING ESG INTO OUR INVESTMENT PROCESS

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

Our ESG integration process encompasses our consideration of material, systemic ESG risks, chiefly in the development of our own in-house ESG ratings methodology and the development of criteria for the assessment and identification of sustainability-aligned 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.

The incorporation of such factors into our investment process provides our research analysts, investment managers and clients with the additional lens of sustainability to inform their investment decisions.

Our ESG integration takes account of the following:

- insights and data, gathered from our financial and engagement analysts
- external data, drawn from suppliers such as CDP, MSCI and Morningstar
- materiality assessments, such as those described by the Sustainability Accounting Standards Board (SASB)
- relevant applicable legislation and regulation, including the Task Force on Climate-Related Financial Disclosures (TCFD), the EU Sustainable Finance Disclosure Regulation (SFDR) and the EU Taxonomy Regulation
- widely-adopted international frameworks, such as the United Nations Sustainable Development Goals
- market-led initiatives seeking to develop best practice, such as the Science-Based Targets initiative and Net Zero Asset Managers initiative.

2022 PROGRESS

We have made considerable progress in developing processes that facilitate a combined analysis of sustainability factors using external data, our stewardship activities, materiality considerations and financial analysis. Over the past year, we have amplified our analysis of ESG materiality across the key sectors in which we invest by identifying relevant data points and developing a weighting methodology to feed into sector-relative models that enable us to assess the performance of investments from an ESG perspective in comparison to peers. In addition, we are developing sector-specific standards, informed by industry-focused indicators proposed by market initiatives, materiality and our own internal research expertise and engagement.

We also assess investments on a further "absolute" basis using a generally-relevant, comparable set of metrics to determine a company's overall preparedness to mitigate ESG risk. A data-informed ranking system has been established which enables us to give investments one of five labels from controversial to pioneering.

Acknowledging that data availability may be lacking, lagging or biased towards larger companies and certain jurisdictions, we have taken a thoughtful approach to data and model management to mitigate gaps or inconsistencies. Our integration framework, whilst heavily informed by data, emphasises qualitative verification and input from our financial and stewardship analysts. We are developing further training and guidance for our analysts, investment committees and investment managers to empower them to incorporate consideration of material ESG metrics in investment research and portfolio construction activities.

RISK MANAGEMENT CONTINUED

**ENGAGEMENT WITH CONSEQUENCES**

We understand that meaningful engagement efforts require significant resources and perseverance, and it often takes time to achieve the intended outcome. Together with the urgency of tackling climate change, this highlights the importance of establishing escalation processes as part of our engagement strategy. A clear escalation pathway is critical, allowing for effective intensification of stewardship activities until the desired outcomes are reached. Our engagement work is guided by our public commitments under SBTi, where we seek for an increasing proportion of our holdings by value to be setting SBTi-approved targets.

The group and Greenbank work in collaboration to cover the list of target companies to ensure that the engagement carried out is consistent with our objectives and that meaningful relationships can be built with management. We also engage with companies collaboratively as members of Climate Action 100+ (CA100+) through the Institutional Investors Group on Climate Change (IIGCC).

Although many companies identified for targeted engagement have announced a commitment to net zero, the real test lies in the quality of these commitments. In 2021, we first disclosed our 1.5°C alignment framework which made our net zero expectations clear to investee companies.

2022 PROGRESS

In 2022, we continued to enhance our framework in line with the IIGCC's Net Zero Stewardship Toolkit and the CA100+ Company Benchmark Indicators. According to this framework, a company is considered 'aligned to net zero' when it broadly meets criteria in the table to the right.

OUR NET ZERO ALIGNMENT FRAMEWORK:

Core criteria	To assess baseline alignment
Ambition	A long-term emissions goal based on Scope 1, 2 and material Scope 3 consistent with achieving global net zero
Targets	Short- and medium-term emissions targets (for Scope 1, 2 and material Scope 3)
Emissions Performance	Current emissions intensity performance (for Scope 1, 2 and material Scope 3) on a metric consistent with targets
Disclosure	Scope 1, 2 and material Scope 3 emissions disclosure
Decarbonisation Strategy	A quantified plan setting out the measures that will be deployed to deliver GHG targets, proportions of green revenues and the use of neutralising actions such as CCUS (Carbon Capture, Utilisation and Storage) and offsets
Capital Allocation Alignment	Clear demonstration that future capital expenditures are consistent with the goal to achieve net zero emissions by 2050
Additional Criteria	To aid engagement
Climate Policy Engagement	The company has a Paris aligned climate lobbying position and demonstrates alignment of its direct and indirect lobbying activities
Climate Governance	Board capabilities and competencies to manage climate change. Board member nominated responsible for climate and net zero oversight. Executive remuneration should be linked to delivering targets.
Just Transition	The company considers the impacts from transitioning to a lower-carbon business model on its workers and communities.
Climate Risk Accounting and Audit	The company provides disclosures on risks associated with the transition through TCFD reporting and financial accounts state the climate scenario under which they were generated as well as any material, climate sensitive, assumptions (e.g., fossil fuel prices, carbon taxes) and outcomes (eg: write-downs on coal assets, useful life impact on gas assets). Where assumptions are not consistent with a net zero scenario, the impact of a net zero scenario on financial statements should be indicated.

RISK MANAGEMENT CONTINUED

Assessing the quality of net zero commitments and identifying where companies are in their net zero journey is not an easy task. Scope 3 emissions data is one area where disclosure is particularly poor, with most companies not reporting across each of the 15 sub-categories.

Although the net zero aligned criteria defined above applies to all companies at a higher level, we recognise that some sector-specific criteria may be necessary, particularly with regards to high emitting sectors and where “sector decarbonization pathways” are available. For some sectors, an enhanced alignment framework is needed.

For instance, for oil and gas companies we supplement our framework with the [IIGCC's Net Zero Standard for Oil and Gas](#), and for power and utilities the IIGCC's sectoral recommendations developed as part of the [CA100+ Global Sector Strategies workstream](#). Rathbones is committed to embracing further sectoral recommendations as these become available and awaits the release of the SBTi oil and gas guidance, due later this year, with interest.

In 2022, we contacted a range of companies to set out our expectations as investors for credible net zero strategies. We continued our role as lead investor for SSE Plc & National Grid Plc through Climate Action 100+ and as lead investors for an IIGCC engagement with Rio Tinto & Thyssenkrupp on net-zero audits.

Additionally, we signed up to several climate collaborative engagements: including, the 2022 Global Investor Statement on the Climate Crisis and as a signatory on letters to 23 companies calling on them to comply with the global standard on responsible climate lobbying.

Details on the number of climate-related engagements made in 2022 as well as the percentage of our portfolio which have set or committed to setting SBTi-aligned targets can be found in the [metrics and targets](#) section of this report.



VOTING WITH PURPOSE

As advocates of responsible investing, we aim to lead by example within Rathbones. We also try to promote a culture of responsibility within portfolio companies. We believe it's in our clients' best interests that portfolio companies adopt best practice in ESG risk management and corporate governance. We press for this is through our votes. The voting committee is responsible for our bespoke voting policy.

Voting is undertaken on our most widely held holdings and on any company if requested by a client who is a shareholder of that company. Through voting, we encourage boards to

- embed clear values and standards throughout the organisation
- develop a culture of transparency and accountability
- focus on strategic issues, of which climate change may be one, rather than simply short-term performance
- maintain systems of internal control and risk management for material issues such as climate
- create fair remuneration at all levels that rewards achievement
- responsibly manage impacts on all stakeholders.

For all climate-related resolutions, whether submitted by management or shareholders, our vote is followed by a letter to the company explaining why we consider climate risks to be material to the performance and valuation of our investments, detailing our reasons to vote for, against or abstain, and specifying the changes we expect to see.

We prefer to engage with our investee companies and will favour this option where possible. The aim is to have constructive dialogue with the board and senior executives.

However, when material risks start to negatively impact the investment thesis, and/or when engagement has failed within a reasonable timeframe, we consider these companies to present higher or unmanaged ESG risks, as we state in our RI policy.

RISK MANAGEMENT CONTINUED

2022 PROGRESS

Our net zero alignment criteria are made transparent in our voting policy. It sets clear criteria for our [votes against management](#). We are confident in making this assertion as, at the time of writing, we are only able to support a very limited number of transition plans submitted by companies to investor approval as part of the [‘Say on Climate’](#) votes.

For instance, the lack of alignment with our 1.5°C framework led us to vote against management-submitted net zero proposals in all three fossil fuel companies offering this vote in 2022. Our assessment has shown that these companies do not meet, or only partially meet, several of the criteria listed above, including the alignment of interim targets and capital allocation with the Paris Agreement’s objective of limiting global warming to 1.5°C.

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

- climate change
- audit failings
- gender and racial diversity at board and senior management level
- corporate governance at FTSE AIM companies (mainly smaller companies).

In 2022, we supported a record number of climate resolutions and voted against climate transition plans we considered insufficient. Details on the number of climate-related voting actions taken in 2022 can be found in the [metrics and targets](#) section of this report.

Going forward, we will continue to enhance our escalation approach to provide more clarity to companies on the windows for delivering demonstrable action to meet our net zero alignment framework.

**TRANSPARENCY AND COLLABORATION**

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

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

Our commitment to transparency comes in two areas: our disclosure of voting and engagement activities and in our submissions to external benchmarks.

2022 PROGRESS

In voting disclosure, we are recognised as leading our peers in providing access to our voting record in real time (see ShareAction’s [Voting Matters Charity Spotlight Report](#), January 2023). Having successfully implemented this for our private client business in 2022, we recently launched a vote disclosure service for Rathbone Unit Trust Management. Both sites are now further enhanced with the provision of a rationale for every vote issued against management wishes – so all stakeholders can clearly see not just what we did, but why.

In 2022, we continued to submit to external performance benchmarks. These include:

- the United Nations-backed Principles for Responsible Investment (PRI)
- the Financial Reporting Council’s Stewardship Code
- ShareAction Global Responsible Investment Benchmark
- CDP.

Additional details of our commitments to external performance benchmarks and industry groups can be found in our stewardship report and in the metrics and targets section of this report.

We have continued to use clear criteria for assessing corporate [Say on Climate](#) plans, which are published on our website. This included consideration of governance, strategy, metrics and targets, and risk management. Our stewardship team raised particular concerns about the reach of the targets, specifically the lack of coverage of Scope 3 emissions. We maintained our practice of publishing voting statistics by company, on our website, including number of votes for and against, and votes cast by proposal category.

METRICS AND TARGETS

WE USE SEVERAL METRICS TO MEASURE THE PROGRESS OF OUR NET ZERO JOURNEY, INCLUDING CARBON EMISSIONS AND GHG INTENSITY INDICATORS. IN 2022, WE TOOK STEPS TO ASSESS OUR ENVIRONMENTAL IMPACT FOCUSING NOT ONLY ON OUR OPERATIONS BUT ALSO OUR SUPPLY CHAIN AND OUR INVESTMENTS. IN ADDITION TO OUR OPERATIONAL METRICS, WE USE A SELECTION OF OTHER METRICS TO INFORM OUR CLIMATE RISK AND ENGAGEMENT STRATEGY

OUR JOURNEY TO NET ZERO

OUR COMMITMENTS

In 2022, the SBTi approved our near-term 1.5°C-aligned emissions targets for scopes 1, 2 and 3 including our investments. Progress against our targets are included in the non-financial strategic measures on which our executive are remunerated.

Our targets:

- Scope 1 and 2: Rathbones Group Plc commits to reduce absolute scope 1 and 2 GHG emissions¹ 42% by 2030 from a 2020 base year
- Scope 3 operational targets: Rathbones Group Plc commits to reduce absolute scope 3 (category 1-14) GHG emissions 42% by 2030, from a 2020 base year
- Scope 3 asset class level targets: Rathbones Group Plc commits to 35% of its listed equity and bonds portfolio, by invested value, setting or having committed to set SBTi-validated targets by 2025, 57% by 2030, and 100% by 2040, from a 2020 base year.

Our portfolio targets cover 91% of our FUMA as of December 2020. Using the portfolio coverage methodology our targets include listed equity and bonds (common / preferred stock, corporate bonds, ETFs, investments in REITs and real estate).

In 2022, the percentage of our portfolio which have set or committed to SBTi-validated targets increased by 5.9% from last year, amounting to 22.9% coverage.

In addition to the group commitment, Rathbone Greenbank Investments (Greenbank), Rathbones' specialist ethical, sustainable and impact investment arm, has detailed its plan to become a net zero emissions business by 2040. This commitment covers emissions associated with its operations, supply chain and client investments.

For our full streamlined energy and carbon reporting (SECR) disclosure please see page 76 of our [annual report and accounts](#).

GREENBANK'S NET ZERO EMISSIONS PLAN INCLUDES:

A CUT OF 60%

in the carbon intensity of its investments by 2030, with 2020 as a baseline year

A CONTINUATION

of its long-standing strategic engagement programme to encourage corporate action on climate change and drive alignment to net zero emissions

A COMMITMENT

to reach net zero carbon emissions from its own operations and supply chain by 2030, in line with the group, using the Science Based Targets initiative framework.

1. Location-based emissions

METRICS AND TARGETS CONTINUED

OUR CARBON FOOTPRINT DETAILS

(location-based emissions (tCO₂e))¹

	2020	2021 ²	2022
Scope 1 (tCO₂e)	344	420	359
UK ³ emissions	344	420	359
Global ³ emissions (excl UK)	-	-	-
Scope 2 (tCO₂e)	461	389	423
UK ³ emissions	444	377	409
Global ³ emissions (excl UK)	17	12	14
Scope 3 (tCO₂e) ^{4, 5, 6, 8, 9}	19,671	26,026	32,391
UK ³ emissions	9,324	25,600	31,930
Global ³ emissions (excl UK)	347	424	461
Scope 3 - purchased goods and services	17,730	24,136	29,084
Scope 3 - capital goods	428	81	836
Scope 3 - fuel and energy related activities	151	211	217
Scope 3 - upstream transportation & distribution	46	49	50
Scope 3 - waste generated in operations	4	5	7
Scope 3 - business travel	259	202	532
Scope 3 - employee commuting	945	1,225	1,567
Scope 3 - upstream leased assets	108	116	98

1. In accordance with best practice introduced in 2015, we report two numbers to reflect emissions from electricity. Location-based emissions are based on average emissions intensity of the UK grid and market-based emissions reflect emissions from our specific suppliers and tariffs. Scope 2 market-based emissions for 2022 are 75 tCO₂e (2021: 65 tCO₂e)

2. For the first time, we have incorporated emissions from Saunderson House into our greenhouse gas emissions inventory. As a result, our total location-based emissions for 2021 have been restated from 1,170 tCO₂e to 1,234 tCO₂e

3. Under SECR regulation we are required to split our global and UK emissions. Our global emissions (excl. UK) and global consumption (excl. UK) reflect electricity emissions and consumption (respectively) from our Jersey office. It is not possible to split out travel and allocate to our Jersey office at this stage

4. Data centre emissions are reported under Scope 3, as per the WRI GHG Protocol

5. Electricity transmission and distribution (T&D) reflects emissions from line losses associated with electricity transmission and distribution

6. Emissions from water supply and treatment are included in our SECR disclosure for the first time this year; 2021 emissions have been restated to include these emissions

7. Total energy consumption (kWh) of our Scope 1 and Scope 2 emissions (electricity), and scope 3 (employee cars)

8. Emissions associated with hotel stays and employee cars were reported in business travel in 2022 but are not included in the 2013 baseline

9. Our Scope 3 emissions include calculations through spend-based activity data and average emission factors. These calculations utilise the Comprehensive Environmental Data Archive (CEDA), an environmentally extended input-output (EEIO) database published by VitalMetrics. In 2023, we updated our emission factors from CEDA version 5 to CEDA version 6 to ensure the most up-to-date data is reflected in our calculation. Prior years have not been recalculated using CEDA 6; as such, comparisons of current and previous year data should be cautionary

	2020	2021 ²	2022
Total emissions - location-based (tCO₂e)²	20,475	26,835	33,174
UK emissions	20,111	26,397	32,698
Global emissions (excl UK)	364	436	475
Total emissions - market-based scope 2	46	65	75
Total energy consumption (kWh)⁷	4,387,781	4,236,567	4,954,261
UK consumption	4,316,661	4,182,011	4,880,088
Global consumption (excl UK)	77,820	54,556	74,173
Intensity ratios			
Scope 1 and 2 emissions – location-based (tCO ₂ e/FUMA£bn)	14.72	11.86	12.99
Total emissions location-based (tCO ₂ e/FUMA£bn)	374.31	393.47	551.05
Total emissions location-based (tCO ₂ e/FTE)	12.54	13.66	15.66

METRICS AND TARGETS CONTINUED

OPERATIONAL FOOTPRINT

Our SBTi validated target is to reduce our scope 1 and 2 emissions by 42% by 2030, from a 2020 base. Continuing to reduce our carbon intensity per full-time employee across our operations and completing the transition of our offices to renewable energy sources will help us meet our 2025 internal target of a 21% reduction across our scope 1 and 2, and scope 3 emissions (excluding investments).

In 2022, our operational footprint fully integrated Saunderson House and we have therefore restated our 2021 emissions. We are working to understand the impact on our 2020 footprint, given it was a COVID year.

Whilst our primary focus remains on reducing the carbon emissions associated with our operations and investment, we recognise the important, yet complex role offsetting will play in the global transition to net zero. Therefore, we continue to support carbon offsetting projects. In 2022, we purchased 2,600 credits, and retired over 3,200, offsetting our scope 1, 2 and scope 3 (category 2-8) emissions. More details on our approach to offsetting can be found in our [responsible business update](#).

INVESTMENT FOOTPRINT

We have used a number of data sources to calculate the carbon emissions associated with our investments (scope 3, category 15). These can be found in the appendix on pages 46 to 47. We worked with independent consultants, EcoAct, to determine our carbon emissions, emissions intensity and develop our SBTi-aligned target. The data below covered our equities (listed and unlisted), bonds (listed and unlisted) and sovereign bonds.

At this time not all companies provide emissions data, therefore our current security coverage is approximately 62% and includes our holdings' scope 1 and 2 emissions from the asset classes that are in scope. EcoAct has undertaken the calculation for our clients' investments under management for FY2020, 2021 and 2022. All calculations were carried out with EcoAct's proprietary tool ClimFit, using the guidelines and methodology developed by the Partnership for Carbon Accounting Financials (PCAF). The coverage is calculated based on the outstanding amount of the asset classes included in ClimFIT versus the total outstanding amount of Rathbones securities.

All relevant financial information for equities and bonds (such as enterprise value, revenues etc.) were sourced from FactSet. For sovereign bonds, economic values were obtained from public sources such as the OECD and the World Bank among others. All emissions data for equities and bonds were sourced from the CDP database. For sovereign bonds, emissions data was sourced from public sources such as the UNCC.

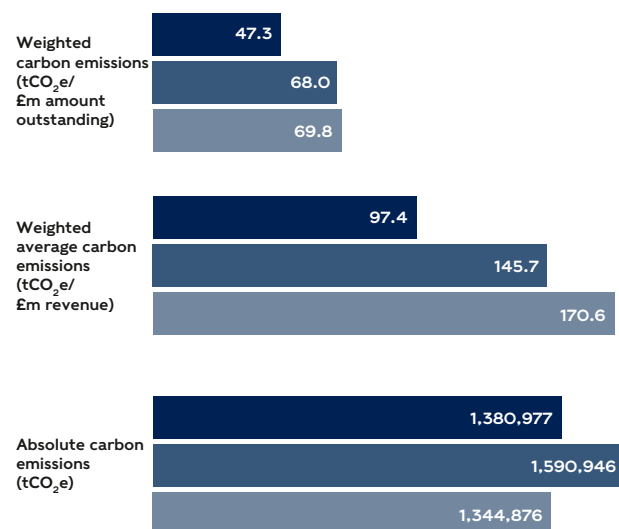
FOCUS AREAS	KEY METRICS
RESOURCE CONSUMPTION	Decommissioning and consolidation practices have resulted in a 15.75% reduction in data centre emissions from 116 to 98 (tCO ₂ e)
ENERGY EFFICIENCY	Moved into our new Edinburgh office which has a BREEAM rating of very good and an energy performance certification (EPC) of B
DIGITISING OPERATIONS	With 50% of clients now using MyRathbones this supported a 15% reduction in paper purchased
TRAVEL	Emissions increased 162.77% from 202 to 532 (tCO ₂ e) as colleagues returned to face-to-face meetings and moved between offices

METRICS AND TARGETS CONTINUED

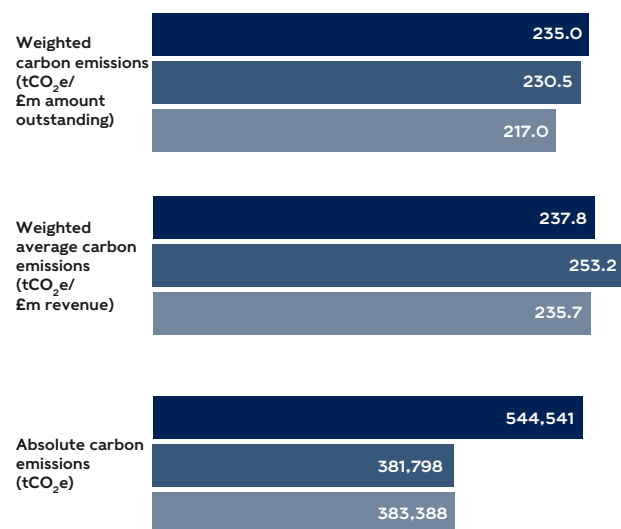
OUR INVESTMENT METRICS^{1, 2}

Weighted carbon emissions, weighted average carbon emissions, and absolute carbon emissions.

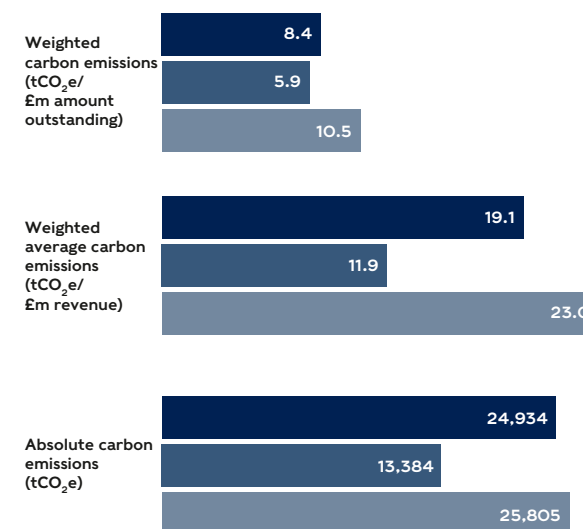
EQUITY



SOVEREIGN BOND



CORPORATE BOND



■ 2022

■ 2021

■ 2020

1. Portfolio footprint coverage amounts to 62% as at 31 Dec 2022. Asset classes were excluded due to limitation regarding the availability of data

2. Metrics include Scope 1 and 2 emissions

METRICS AND TARGETS CONTINUED

UNDERSTANDING THE CHANGES IN OUR EQUITY EMISSIONS

The decrease in company emissions for scope 1 and 2 (tCO₂e), has been mainly driven by a decrease of company emissions exhibited for high emitting sectors such as mining and mineral products and downstream and midstream energy, while FUMA remaining on similar levels drove a decrease for all three indicators. An increase in outstanding amount covered resulted in a decrease for WCE and WACI. Company revenues and enterprise value remained on similar levels for the majority of sectors, however large increases were seen in the software and consulting sector which led to lower ACE and WACI values.

UNDERSTANDING THE CHANGES IN OUR SOVEREIGN BOND EMISSIONS

Overall, absolute carbon emissions (ACE) in sovereign bonds have increased due to greater investment levels (40%). This is particularly driven by increased investment in UK and Australian bonds, the latter which has a high emissions intensity. The change in WCE and WACI has also seen a minor increase due to the greater inclusion of Australian bonds in the portfolio composition.

UNDERSTANDING THE CHANGES IN OUR CORPORATE BOND EMISSIONS

Rathbones have increased their holdings in corporate bonds 29% by AUM value compared to 2021. This will see an increase in the corporate bonds ACE. Total sector emissions for utilities, integrated oil and gas exploration and hospitality have also increased significantly which has seen increases across all three metrics.

OTHER METRICS

	2022	2021	2020
Number of investment managers and directors who have completed the CISI Sustainable and Responsible Professional Assessment	3	221	-
Investment stewardship team size	4	4	3
Total number of engagements undertaken	671	705	201
Climate-related voting action taken	61	14	5
Percentage of our securities* which have set or have committed to setting SBTi aligned targets (portfolio coverage)	23%	17%	13%
CDP climate score	B	C	B
PRI - Investment & Stewardship Policy (used to be strategy and governance)	4/5 stars (72%)	A+	A+

* Subcategories include all asset types which can use SBT PC, namely: Common Stock, Corporate Bonds, Exchange Traded Funds, Investments in Real Estate, Preferred Stock and REI

METRICS AND TARGETS CONTINUED

OUR PORTFOLIO WARMING POTENTIAL

The MSCI's warming potential methodology complements scenario analysis and other climate metrics, and supports reporting for the TCFD by offering an alternative forward-looking metric. This methodology considers the implied decarbonisation pathway of economic sectors under different temperature outcomes and uses the current carbon intensity of a company to arrive at a value for warming potential in degrees Celsius. The values assigned to companies range from 1.3°C to 10°C.

The graphic to the right shows that our clients' total equity exposure, which is equivalent to 35% of total investments held on behalf of clients as at 30 June 2022 (91% of equity holdings). It currently aligns with a 3.06°C increase in global temperature. This represents a marginal improvement in relation to the December 2021 data (3.09°C of warming potential).

Although this is not a key metric for our net zero strategy and science-based target, for which we are using the SBTi portfolio coverage approach, we will continue to monitor and integrate climate data in our investment approach and working to bring our warming potential in alignment with our commitment of 1.5°C above pre-industrial levels.

AGGREGATED WARMING POTENTIAL TEMPERATURE GAUGE WITH COMPANY TARGETS

The temperature gauge below illustrates the company's aggregated warming potential with the decarbonisation target taken into account, marked in black.

3.06°C



IMPLIED TEMPERATURE RISE

The Implied Temperature Rise (ITR) measure offered by MSCI is an alternative forward-looking metric which provides an indication of how well portfolio companies align with the ambitions of the Paris Agreement to limit the global temperature rise to well below 2°C.

The portfolio-level ITR uses an aggregated budget approach: it compares the sum of "owned" projected GHG emissions against the sum of "owned" carbon budgets for the underlying fund holdings. The portfolio's total estimated carbon budget over- /undershoot is then converted to a degree of temperature rise (°C) using science based TCRE (Transient Climate Response to Cumulative Emissions). The allocation base used to define ownership is Enterprise Value including Cash (EVIC) in order to enable the analysis of equity and corporate bond portfolios.

Although similar to the Portfolio Warming Potential measure provided in our 2021 TCFD report, the Implied Temperature Rise uses a different methodology that is considered more robust and more closely aligned to the TCFD consultation recommendations. In line with industry updates, we are moving to report the ITR metric.

Although the ITR is not a key metric for our net zero strategy and science-based target, for which we are using the SBTi portfolio coverage approach, we will continue to monitor and integrate climate data in our investment approach and working to bring our ITR in alignment with our commitment of 1.5°C above pre-industrial levels.

METRICS AND TARGETS CONTINUED

PORTFOLIO

2.7°C

WHAT DOES THIS TELL US?

The model shows that our portfolio has an ITR of 2.7°C. This evaluation was completed on our total holdings of which 66.6% of companies have ITR data available (covering 95% of AUM). This means that 38% of companies that we invest in, on behalf of our clients, have the targets or plans in place to meet the goals of the Paris Agreement (aligned with a 2°C future or below), and the remaining 62% are not aligned to the goals of the Paris agreement or did not have ITR data available for this exercise. According to MSCI, less than 10% of the world's publicly listed companies had an ITR of 1.5°C or less as of September 2021, while less than half aligned with a 2°C temperature rise. This highlights the size of the challenge to investors and the importance of continuing to encourage companies to set robust net-zero plans in line with the Paris Agreement.

Implied Temperature Rise Categories	% of companies in category
1.5°C Aligned (<= 1.5°C)	19.4%
2°C Aligned (>1.5 - 2.0°C)	18.6%
Misaligned (>2.0 - 3.2°C)	19.1%
Strongly Misaligned (>3.2°C)	9.5%
No data available	33.4%

PLANNED ACTIONS

At Rathbones, we recognise that climate change is a global risk and that it is crucial that we address it in order to deliver long-term value for our current and future stakeholders. This report is one of the ways that we can share our approach to identifying, managing and reporting on the impact of climate risk on our business. We are committed to embracing future recommendations and will continue to track best practice through our TCFD disclosure, including the build to product level reporting.

We will continue to embed our climate change strategy in all areas of our business as we work to achieve our net zero commitment, SBTi 1.5°C aligned targets and support the transition to a net zero economy through the following activities:

- continue to integrate climate data into our investment approach
- publish more information on our approach to exclusions
- share more about our net zero engagement activities, including engagement with our clients' most material investment to support the setting of SBTi-approved targets and the transition to a net zero economy
- collaborate across the industry on incoming reporting regulations, supporting the move to increased transparency
- publishing our net zero transition plan, outlining our alignment with the UK's net zero plan.

We recognise that the transition to a net zero economy will not be delivered in a straight line and will take time, we will continue to evolve as more information becomes available. We are prepared for and committed to working towards a better future, believing that we have both an obligation and an opportunity to contribute to this global challenge.

**“WE ARE PREPARED FOR
AND COMMITTED TO WORKING
TOWARD A BETTER FUTURE.”**

APPENDICES

APPENDICES

DEFINITION OF OUR METRICS

Metric	Description	Asset class/ boundaries	Risk Physical/transition	Scope	Data provider
Climate Value at Risk*	Providing a forward-looking and return-based valuation assessment to measure climate related risks and opportunities in our investment holdings	Equity	Physical and transition	Assets held on behalf of our clients	MSCI
Weighted average carbon intensity*	Measured in (tCO ₂ e/£m sales), this assesses the sensitivity of our held securities to an increase in carbon prices and our progress towards the Paris Agreement target	Equity, Sovereign bond and corporate bond	Transition	Assets held on behalf of our clients	MSCI EcoAct
Portfolio warming potential*	The contribution of a company's activities towards climate change and alignment with the Paris Agreed Target	Equity	Transition	Assets held on behalf of our clients	MSCI
Portfolio coverage*	The percentage of securities that have set or have committed to setting Science Based Targets initiative aligned targets	Group funds under management	Physical and transition	Assets held on behalf of our clients	EcoAct SBTi
Emissions	Our operational carbon emissions in tCO ₂ e Operational carbon emissions	-	Transition	Rathbones' operations	DEFRA Accenture** EcoAct
Carbon intensity metrics	Our operational carbon emissions, normalised by an associated denominator e.g. FUM, FTE or operating income	Operational carbon emissions	Transition	Rathbones' operations	DEFRA Accenture** EcoAct Internal

* These metrics have been calculated excluded Saunderson House emissions

** Accenture formerly Avieco

APPENDICES CONTINUED

Metric	Description	Asset class/ boundaries	Risk Physical/transition	Scope	Data provider
1.5°C ALIGNED TARGET	The targets we have set using the methodologies laid out by the Science Based Targets Initiative. Covering our Scope 1, 2 and Scope 3 category 1-8 and 15 emissions.	Scope 1, 2 and 3 (category 1-8) emissions and Scope 3 category 15 emissions including our client holdings through common stock, corporate bonds, exchange traded funds, corporate loan, investments in real estate, preferred stock, REIT, private equity and debt	Physical and transition	Assets held on behalf of our clients	Science based targets initiative
PRI*	Score for the strategy and governance section of PRI report	Group funds under management	Physical and transition	Group-level disclosure	Internal
CDP*	Score for our climate change submission	From 2022 our submission includes our expanded data disclosure. 2021 and 2022 data includes Saunderson House	Physical and transition	Group-level disclosure	Internal Accenture** EcoAct

* These metrics have been calculated excluded Saunderson House emissions

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RATHBONES GROUP PLC

8 Finsbury Circus
London
EC2M 7AZ
+44 (0)20 7399 0000
rathbones.com