RATHBONES

OUR ENGAGEMENT PLAN FOR 2025

THE VALUE OF DIALOGUE

At Rathbones we've long seen the usefulness of keeping up a dialogue with the companies we invest in.

WHY ENGAGE?

We believe that engagement with companies in our clients' portfolios, when targeted appropriately, can create value for investors. This is because it can cover a broad range of material environmental, social and governance (ESG) issues that could affect the long-term value of an investment.

We see engagement as a key aspect of our investment approach. The exchange of information with the companies in which we invest can improve our understanding of how they're addressing particular topics. It can further inform our investment analysis, including our comprehension of how an investment may fare in different scenarios. Companies can also derive insight from understanding the perspectives of shareholders as well as other key stakeholders to inform their strategies.

Where we see opportunity to improve business practices for the benefit of shareholders, we'll aim to influence the company to make changes. We might press for a clearer link between pay and performance, for example. In some cases, we engage with a company to help it mitigate 'systemic risks' – risks that could affect the financial system, the macroeconomy, and the portfolios of large, diversified investors. A classic case of this is when we encourage companies to contribute to the fight against climate change.

Engagement is generally about co-operation rather than conflict. We work constructively with companies held in our clients' portfolios, engaging with boards and company management to deliver benefit for our clients and society as a whole. We also join with fellow investors, charities and other non-governmental organisations (NGOs) to build consensus across the market and society on crucial ESG concerns.

ESCALATION AND VOTING

If our engagement hasn't borne fruit, we're prepared to escalate – by voting against the board on a subject at the next annual general meeting (AGM), for example. In practice, we only do this rarely – for around 3% of all resolutions, on average. However, the power of our engagement as investors rests on the board's knowledge that it faces consequences if we think management isn't listening and responding adequately to our concerns.

These two interlinked approaches to achieving results illustrate two of our ***four responsible investment principles*** in action: 'engagement with consequences' and 'voting with purpose'. The other two are 'ESG integration' and 'transparency'.

If we believe a problem could harm the long-term value of a company and is not being managed, we're prepared to reduce our holdings or sell out of the company altogether.

Please see our ***Engagement policy*** for further details. It outlines our approach to monitoring existing engagements and determining our engagement priorities.

CHOOSING OUR ENGAGEMENTS

In deciding which companies to engage with - and on what - we consider:

- ***Exposure:*** we're more likely to engage directly when we hold a material exposure to the investment. We're also more likely to engage when the company is on the list of investments recommended by our central investment committees.
- ***Severity:*** we're more likely to engage on issues that:
  - present an immediate or severe threat to the best interests of our clients.
  - could have a significant effect on our investments - they involve pressing and severe ESG risks.
- *Location:* we're more likely to engage directly with companies when we have a deeper understanding of the local legal framework. Companies with operations across many countries may be better suited to collaborative engagements.
- *Expertise:* we're more likely to engage when we have deeper experience of a company or issue.

It's also important to be able to respond to new concerns through engagement, while not forgetting the priorities we've set. While continuing to consider the long term, we must remain nimble. For example, the war in Ukraine might throw up a problem that needs addressing, such as a media report that a company is expanding in Russia after rivals have left in opposition to Russia's invasion. Sometimes a new priority emerges that runs across many companies, such as a novel problem in the fast-moving world of artificial intelligence.

We conduct a lot of business-as-usual engagement with companies triggered by the voting process and our regular meetings with companies, However, each year we also set aside special resource to deal with specific ESG issues which we consider deserve special attention beyond business as usual. These are our annual engagement priorities.

2025 ENGAGEMENT ISSUES

2025 ENGAGEMENT ISSUES

HOW WE PLAN FOR SUCCESS AND MONITOR OUR PROGRESS

We track the ongoing status of our engagement activity and report this to our engagement and responsible investment committees. We also show a scorecard for progress made during 2024 at the end of this document.

To make our efforts more effective and deliver more benefits to our clients, we're making some changes to the way we track and monitor the impact of our direct engagement work. On many of these big issues, it's not always possible to draw a direct line of causation – to show that our work has prompted a change at a company or in society. However, it's possible to gauge the kind of corporate response that will create a better chance of meeting these goals.

As with last year, we've devised specific measures or 'metrics' to judge the success of each of our engagement topics. However, this year we've broken these down into two different kinds of goal, for 'process' and 'performance'. Performance goals are a continuity from previous years; they show progress against the real world changes we hope to see. Process goals are new; they refer to the behaviour and activities we know are important in meeting the performance goals. The aim here is that even if we don't see tangible change in a short space of time, at least our clients can have confidence that we were doing all we could.

We've divided our engagement issues for 2025 into ***'priority'*** and ***'secondary'***.

PRIORITY ISSUES

We aim to play a leading role in shaping the overall direction and strategy of the project.

SECONDARY ISSUES

We aim still to play an active role in helping achieve objectives. But this is generally through joining existing collaborative engagements, so we'll play a less active role in setting the strategy.

OUR PRIORITY ISSUES

THE ENVIRONMENT

OUR PRIORITY ISSUES THE ENVIRONMENT

CLIMATE CHANGE: NET ZERO

In 2015, countries signed the Paris Agreement, which bound them to work to keep temperature increases to well below 2°C, and preferably to 1.5°C, compared with the world before industrialisation. This involved reaching net zero carbon emissions by the middle of this century, a process sometimes known as 'decarbonisation'. With this in mind, Rathbones has set its net zero target for 2050.

This means net zero not just in our own operations but also for the companies in our clients' portfolios. By 2030, we want 55% of our assets under management to be in companies with net zero targets validated by the *Science-Based Targets initiative (SBTi)* – 'science-based targets', as they are widely known. We'd like this to rise to 77% by 2035 and 100% by 2040.

Engaging with companies we invest in to reduce their emissions is important for another reason, too. Climate risk is arguably one of the most significant risks to our investment portfolios, for two reasons. Firstly, the physical effects of climate change could hit the revenue and damage the assets of many companies we invest in. Secondly, companies could be left with 'stranded assets' because of the transition to a lower-carbon global economy. These are assets that suffer devaluation or writedowns because they prematurely reach the end of their useful life. This might be, for example, because of a fall in demand for fossil fuels or tighter regulation in response to climate change.

The wider public also cares about climate risk. *In a 2022 survey from the government's Office for National Statistics, 75% of Britons said they'd made lifestyle changes because of concerns about climate change.*

OUR PRIORITY ISSUES THE ENVIRONMENT

WHICH COMPANIES ARE WE TARGETING?

In 2025, we'll continue to target the biggest contributors to our 'financed emissions', the term for emissions in portfolios. For example, if Rathbones portfolios collectively own 1% of a company, our financed emissions will be 1% of the emissions for which the company's responsible.

This targeting involves those companies that generate the bulk of emissions associated with our clients' portfolios. This list will look different to previous years as we integrate the assets of Investec Wealth & Investment (UK) in February 2025, following our 2023 combination with this business.

WHAT ARE OUR GOALS?

Performance

Increase the proportion of our portfolios' investments in companies that have done two things:

- They have their own net zero targets validated by the SBTi.
- They've committed to aligning their business model with the Paris Agreement.

This is increasingly challenging because, for many of the sectors that produce the most carbon - most notably oil and gas - the SBTi hasn't yet confirmed the criteria these sectors can use to set targets.

Our own assessments, based on the Net Zero Investment Framework's (NZIF's) modelling system, place each company at a particular stage in the journey to net zero. It looks not so much at whether companies are yet at net zero but how close they are to being on course to reach it by 2050 - in other words, how close they are to a net zero 'pathway'. We'll challenge companies to move into the next phase of this journey. The NZIF is a guide used by investors to set targets and produce related net zero strategies and transition plans. Its five stages are - from the least to the most advanced - not aligned, committed to aligning, aligning towards, aligned to and achieving.

Process

- Identify the highest-emitting companies in our portfolios, weighted by size of our holdings.
- Assess each of these companies' progress towards net zero, based on our own net zero assessment model - our 'road map'.
- Contact these companies.
- Hold meetings with the most material contributors to our portfolios' emissions. Work with them over the long term to ensure they have credible net zero transition plans in place, which they can reasonably be expected to deliver.
- Produce climate assessment factsheets for the top 10 companies to help inform how best to align our investment decisions with our net zero objective.

OUR PRIORITY ISSUES THE ENVIRONMENT

WATER

Numerous reports point to increasing pressure on water resources – and the potential for this to become a significant risk to economies and societies. For example, by 2050 countries accounting for 31% of global GDP will be experiencing 'high water stress', according to the World Resources Institute, a non-profit organisation – where demand for water runs high compared with supply. ***CDP***, a non-profit that helps companies disclose their environmental impact on society and their own businesses, estimates that companies face a potential financial impact from water risk at $531 billion in lost revenue and increased costs, plus the significant risk of stranded assets and supply chain disruption. At the same time, ***global freshwater demand is expected to outstrip supply by 40% by 2030.***

Meanwhile, in the ***World Economic Forum 2025 Global Risks Report's*** 10-year outlook, at least three of the top 10 risks relate to water use, water scarcity and water pollution. Companies that rely on the predictable availability of clean water could find their operations under strain. They could also be subject to regulatory and reputational pressure if they're deemed heavy users of water in water-scarce areas.

Given the systemic nature of the risk, we see both direct and collaborative engagement approaches as appropriate. We plan to join investor engagement focus groups for companies in the technology sector as part of the ***Valuing Water Finance Initiative (VWFI)*** run by Ceres, a non-profit organisation. This asks companies in four water-intensive sectors to meet six Corporate Expectations for Valuing Water by 2030: Water Quantity, Water Quality, Ecosystem Protection, Access to Water & Sanitation, Board Oversight and Public Policy Engagement. These align to targets in ***United Nations Sustainable Development Goal Number 6, Water and Sanitation***.

Rathbones has high exposure to a number of companies on the VWFI target list, particularly in food & beverage and technology. However, food & beverage companies tended to score quite highly on the inaugural ***VWFI benchmark***.

Technology companies often scored worse. This suggests greater room for improvement, which in turn suggests our engagement could have a greater impact if we concentrate on this sector. Another reason for engaging with tech businesses is that we have several significant shareholdings in them.

OUR PRIORITY ISSUES THE ENVIRONMENT

WHICH COMPANIES ARE WE TARGETING?

For our direct engagement, technology companies that aren't included in our collaborative engagement, and which depend heavily on water and/or have a significant impact on it. These are in various parts of the technology sector.

WHAT ARE OUR GOALS?

COLLABORATIVE VWFI ENGAGEMENT

Performance

As the initiative has a goal for 2030, we've set interim targets too. For example:

- By end of 2025: all companies improve their percentage scores from the VWFI inaugural benchmark when the next assessment is carried out (it's due to be published in late 2025).
- By end of 2027: all companies have improved their percentage scores and are ranked in either the 'Leading the Way' category or the 'On Track' category.

Our final goal is:

- By end of 2030: all companies meet the six Corporate Expectations for Valuing Water in full.

Process

- Join engagement focus groups for at least two companies and attend at least one engagement meeting with each.

DIRECT ENGAGEMENT

Performance

- Seek improved disclosure on Water Quantity, Water Quality, Ecosystem Protection, Access to Water & Sanitation, Board Oversight, and Public Policy Engagement.
- CDP Water Security ratings: for companies that do not yet submit data, secure commitment from them to do so within the next three years. For companies that already report, encourage them to work towards improving their scores within the same timeframe.

Process

- Write to all target companies and secure meetings with at least half of them.

OUR PRIORITY ISSUES THE ENVIRONMENT

NATURE AND BIODIVERSITY

Nature supports all systems of life on Earth, making it fundamental to economic stability and development. Economies also benefit from strong biodiversity - a measure that goes beyond quantity to measure the variety of different kinds of life. To put this in statistical terms, *85%* of the world's largest companies depend significantly on nature across their direct operations.

Firstly, they rely on nature for resources and 'ecosystem services'. This is a term for the services nature provides that benefit companies. These include pollination, keeping water flows steady, and medical treatments that originate from plants.

Secondly, they bear the transition risks of greater pressure from governments and regulators as they seek to preserve nature. This includes greater demands for disclosing risks and opportunities - notably by the *Taskforce on Nature-related Financial Disclosures*.

The Global Biodiversity Framework (GBF) was signed in 2022 during the United Nations Biodiversity Conference of Parties (COP) 15 in Montreal. It's the biodiversity equivalent to the Paris Agreement on climate. The GBF provides an international policy framework and targets. It calls on governments to take measures to ensure that large businesses and financial institutions disclose their nature-related risks, impacts and dependencies by 2030. See *Target 15* of the Framework.

Yet many companies are increasing the risks to society and economies - and to their own businesses - by degrading the ecosystems where they operate or source materials. This leads to nature loss.

Our stewardship team's continued focus on nature and biodiversity is complemented by *the work of Greenbank*, a specialist sustainable investment unit within Rathbones, and the Group Climate Change and Nature Working Group. Our core aim is to support greater corporate ambition to reverse nature and biodiversity loss - matched by action. Through this, we seek to protect the long-term interests of our clients by mitigating nature-related financial risk in their portfolios.

We're calling on companies to take action from many different perspectives. We'd like them to assess how they depend on nature and biodiversity, the impact they're having on it and the risks they face from its loss. We'd like them to establish their broad ambitions for protecting nature and biodiversity, to create specific targets, and to implement plans for its preservation. We'd also like them to look at their governance of this issue and the way they engage on it, with suppliers, trade associations, policy makers and other stakeholders.

We'll continue engaging with companies through membership of a global investor coalition for engaging with companies, *Nature Action 100 (NA100)*. NA100 usefully establishes a common high-level agenda for investors and the companies they're engaging with. It also provides a clear set of expectations for corporate ambition and action. In addition, our involvement with the World Benchmarking Alliance's (WBA's) *Nature Collective Impact Coalition (CIC)* gives us opportunities for broader stakeholder engagement, including the potential for influencing the policy of governments and regulators.

We also include nature and biodiversity considerations in our stewardship more generally. Rathbones Investment Management's *Voting policy* says: "Rathbones will abstain the approval of financial statements and statutory accounts when a company has failed to address nature-related risks and respond to engagement efforts." We're also open to taking up further opportunities for collaborative engagement.

OUR PRIORITY ISSUES THE ENVIRONMENT

WHICH COMPANIES ARE WE TARGETING?

A small group of companies, many of them mining businesses, through NA100.

WHAT ARE OUR GOALS?

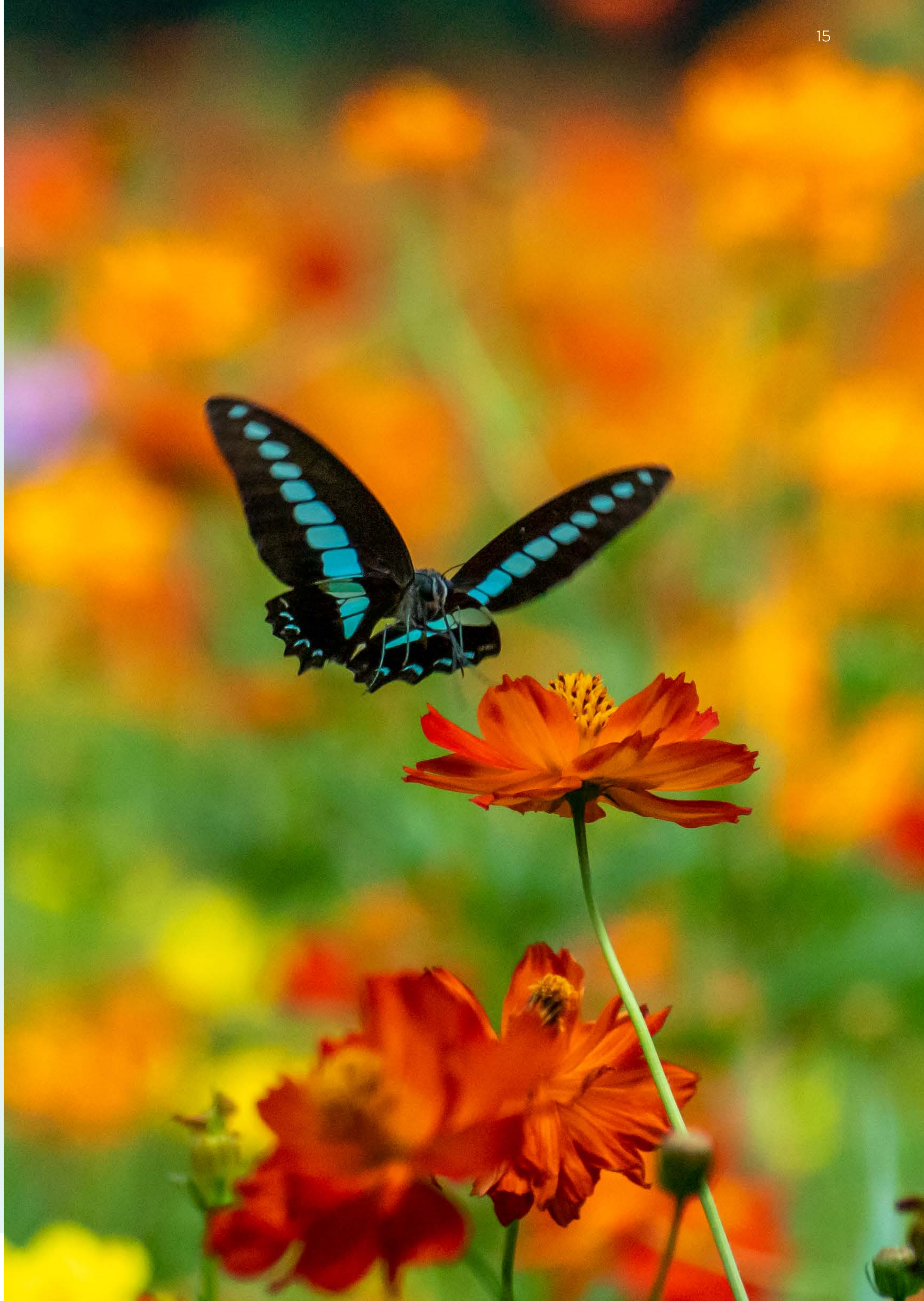
Performance

For every target company we're on the engagement team for: to improve its scoring in at least one element of the ***NA100 benchmark*** by the end of 2025, compared with the 2024 score.

Process

Maintain active role in the NA100 engagement teams we're a member of. Hold at least two meetings with each company covered by these teams.

Participate in at least one engagement through the WBA Nature CIC.



OUR PRIORITY ISSUES

SOCIETY

OUR PRIORITY ISSUES SOCIETY

MODERN SLAVERY

Fifty million people were trapped in modern slavery around the world in 2021, ***according to the United Nations' International Labour Organization and other bodies***. That includes 28 million in forced labour. With the number up 10 million in only five years, the risk to society and to our investments from this crime has never been greater.

We believe UK businesses have a critical role to play in addressing and preventing this risk. The groundbreaking UK Modern Slavery Act 2015 sets out legal responsibilities for them. Section 54 (S54) of the Act requires businesses above a certain size to publish a statement explaining steps taken to ensure modern slavery isn't in their businesses or supply chains.

However, the Act contains no mechanism for enforcing S54. With this in mind, we launched Votes Against Slavery in 2020, following a pilot scheme in 2019. The 'Votes' in 'Votes Against Slavery' refers to the commitment of investors taking part in the campaign to vote against a company's annual financial statement and statutory report if it fails to meet the demands of S54. For more detail, please see our ***Votes Against Slavery report***.

As long-term investors, we believe it's fundamentally important that companies comply with all provisions of the Act to demonstrate a strong commitment to fighting modern slavery, given its systemic nature. To do so gives investors more confidence in a company's risk management culture, making continued investment more attractive. We regard a lack of compliance – almost a decade after the Act - as a serious matter.

OUR PRIORITY ISSUES SOCIETY

WHICH COMPANIES ARE WE TARGETING?

Non-compliant companies in the FTSE 350 and AIM markets, as assessed by Rathbones research in partnership with anti-slavery NGOs.

WHAT ARE OUR GOALS?

Performance

Through Votes Against Slavery:

Ensure full compliance with S54 reporting requirements: that the statement has been:

1. approved by the Board
2. signed off by a director
3. put in a prominent location of the homepage of the company's website
4. updated every year.

Aim for:

- 100% success rate among FTSE 350 companies
- 75% success rate among companies listed on the AIM market of smaller growth stocks.

Process

- Increase the number of Votes Against Slavery members and their collective AUM, compared with the previous year.
- Send letters to all companies in the FTSE 350 and the AIM market that we don't think are compliant.
- Increase the number of AGMs of target companies we attend.
- Aim to increase the number of meetings with target companies led not by us but by other coalition members.
- Explore expanding the Votes Against Slavery model to other global markets, especially Asia-Pacific.

OUR PRIORITY ISSUES SOCIETY

SUSTAINABILITY IN MINING

The work of mining companies is crucial to achieving net zero because the transition to a low-carbon economy relies heavily on minerals and metals, ***which are essential to renewable energy technology.***

But unsustainable mining can lead to significant social and environmental harms (this issue is a hybrid social/environmental issue). This undermines the sector's ability to support the transition to a low-carbon economy. Addressing these issues effectively ensures that mining doesn't exacerbate social inequalities or climate change. This maintains what's sometimes called the sector's 'social license to operate' – the acceptance of a company's business practices by its employees, civil society and the general public.

Furthermore, responsible mining practices can help reduce risks such as human rights violations, biodiversity loss and pollution. ***These are critical to a sustainable 'just transition', where livelihoods are protected during the move from a high to a low-carbon global economy.***

Since 2024, we've worked on this issue through our support of the Global Investor Commission on Mining 2030 (often abbreviated to Mining 2030). In 2024, the Commission is facilitating a series of working groups to generate change for the better across the mining industry as a whole. At the same time, Mining 2030 wants to support the industry in meeting the vital mineral demands of society, including what's needed for the growth of green technology.

Phase 1
Of these working groups' activities sees them assessing the critical ESG issues for mining companies out to 2030.

Phase 2
They assess standards and good practices in the industry.

Phase 3
They define a standard for socially responsible mining.

Through its involvement in the Commission, Rathbones will concentrate especially on the industry's response to social risks: risks to workers and to the wider community. The Commission will consult with companies on the development of a standard for socially responsible mining. The Commission will then press investors to meet this standard.

However, in our work on this issue in 2024, we became aware of several overlapping initiatives for setting industry standards that could accelerate corporate progress. We therefore engage with the mining industry on these standards-setting exercises, alongside the work of Mining 2030. One of the major ones is the Initiative for Responsible Mining Assurance (Irma). It's a way of assessing individual mines, independent of their owners, developed in collaboration between NGOs and host communities. Another, the Consolidated Mining Standard Initiative (CMSI), is more industry-led.

OUR PRIORITY ISSUES SOCIETY

WHICH COMPANIES AND OTHER STAKEHOLDERS ARE WE TARGETING?

- Mining 2030 is targeting all listed companies in the mining sector.
- It will also involve relevant stakeholders, including national and local governments and non-profit organisations.

Our direct engagement will target all mining companies which our research team covers.

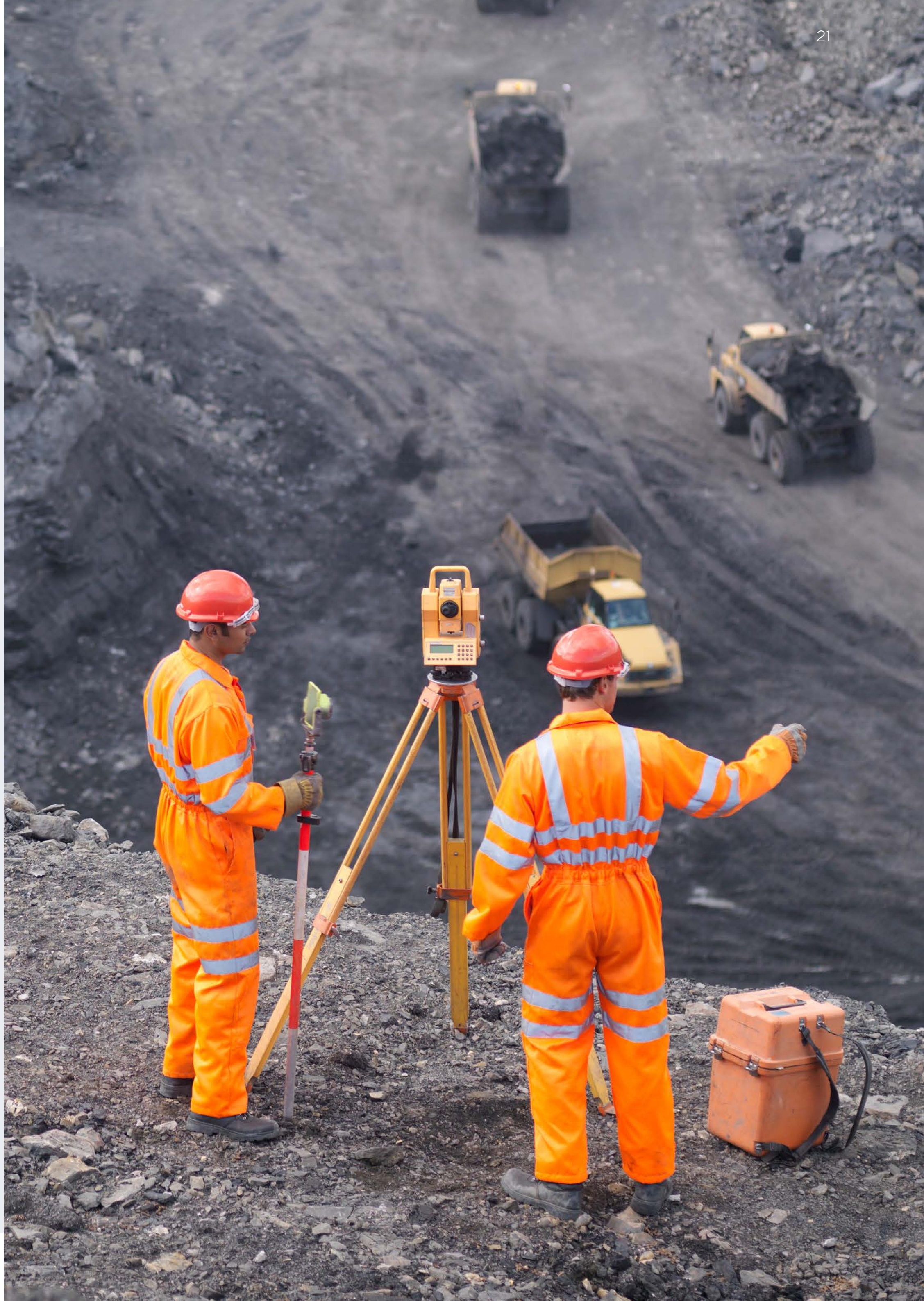
WHAT ARE OUR GOALS?

Performance

See at least one target company commit to trialling Irma assessment at a mine.

Process

- Join Mining 2030 working group to help shape industry standards.
- Promote sector-wide sustainability initiatives and organisations with mining companies in which we hold shares: Mining 2030, the International Council on Mining and Metals (ICMM), Irma. This involves discussing these in meetings and in letters setting out to companies the reasons for our voting decisions ahead of their AGMs.



OUR PRIORITY ISSUES

GOVERNANCE

OUR PRIORITY ISSUES GOVERNANCE

INVESTMENT COMPANIES

Good corporate governance can create shareholder value. It does this by improving and sustaining performance, while reducing the risks that a company faces as it seeks to create sustainable growth over the medium to long term. This is the same for all companies, including investment companies, which are also known as investment trusts.

The Association of Investment Companies (AIC) published a revised Code of Corporate Governance in 2024. It increases the regulatory focus on these vehicles by setting out a framework of best practice. This will apply to accounting periods beginning on or after 1 January 2025.

The revised Code doesn't include many wholesale changes. Instead, it continues to set out good practice in areas important to the good governance of companies - which makes these issues important to investors too.

The AIC has told us it's keen for Rathbones to engage with its member companies on compliance with the Code, given our exposure, track record and strong profile in this field.

We plan to do this in 2025 - but also to encourage investment companies to go even further, beyond what the Code sets out, in establishing good governance. We'd like investment companies to go above and beyond the Code on issues such as diversity on boards, how long directors should sit on them, and their fees. Another issue is overboarding, where directors sit on so many boards that there's a risk they can't devote enough time to each board position.

WHICH COMPANIES ARE WE TARGETING?

About 150 of the largest and most widely held companies in our clients' portfolios.

WHAT ARE OUR GOALS?

Performance

- Secure commitments from all companies that they'll comply with the requirements of the new Code and will adhere to what we ask for in our letters to them.

Process

- Send letters to investment companies in which we have material holdings.
- Receive 100% response rate to these letters.
- Meet target companies that give inadequate responses.

OUR SECONDARY ENGAGEMENT ISSUES

With secondary engagement projects, we still play an active role in pushing companies to meet objectives. But we tend to join existing collaborative engagements, rather than having a significant part in setting the strategy. In 2024, we'll concentrate on the following secondary engagement projects.

DEFORESTATION

Closely linked to our work on climate and nature is the problem of deforestation. Forests cover roughly a third of the land on our planet and are critical to stabilising our climate. They regulate ecosystems, protect biodiversity, support livelihoods, and take carbon dioxide (CO_2) out of our atmosphere (over 2 billion tonnes is absorbed by forests every year). Poor corporate practice on deforestation can also increase the risk of investing in companies in sectors such as food, agriculture and mining. For example, from the end of 2024 the *EU Deforestation Regulation* requires companies selling agricultural commodities to show they weren't produced on recently deforested land. Conversely, companies that act responsibly can decrease the risk to their businesses and shareholders.

Various investor initiatives exist in this area, including Finance Sector Deforestation Action and the Investor Policy Dialogue on Deforestation. During the year we'll seek opportunities to support collaborative policy engagements. We're interested in those that take action against deforestation in a way that chimes with goals on nature and net zero.

SOCIAL INEQUALITY

There's mounting evidence that inequality is a systemic risk. *It could make financial systems more vulnerable*, through increasing the indebtedness of low-income households, for instance. *It can also depress the growth rate of economies – for example, by depriving poor people of the means to fund their education.* Since the risk is systemic and diffused there are few clear options for direct investor action. However, we plan to continue a watching brief on this issue. This means keeping closely informed of the work of the Taskforce on Inequality and Social-related Financial Disclosures. This initiative, supported by financial institutions, business, civil society, and trade unions, launched in September 2024. It plans to publish a conceptual framework in 2025, before full rollout at the end of 2026.

UK ENERGY MARKET

Reform of the UK energy market was one of our nine engagement priorities in 2024. Although we're not retaining this as one of our top engagement priorities in 2025, we do have unfinished business.

In a departure from the approach of the previous administration under Conservative prime minister Rishi Sunak, the Labour administration under Keir Starmer is showing renewed political will on net zero. It has a target for at least 95% clean power for the UK by 2030. We'll continue working with policymakers, NGOs, companies and other investors on ad hoc interventions, to highlight the need for coordinated action in the UK energy market that supports the net zero transition.

REVIEWING 2024

How much progress did we make in advancing last year's priorities?

ISSUES

ENVIRONMENTAL

CLIMATE CHANGE: NET ZERO
NATURE AND BIODIVERSITY
UK ENERGY MARKET REFORM

SOCIAL

MODERN SLAVERY
MINING
CORPORATE HUMAN RIGHTS

GOVERNANCE

SMALLER COMPANY GOVERNANCE

REVIEWING 2024

CLIMATE CHANGE: NET ZERO

OBJECTIVES

Increase the proportion of investments in our portfolios in companies that have set their own net zero targets validated by the SBTi and have committed to aligning their business model with the Paris Agreement.

Encourage companies to reach the next milestone on their journey to net zero. Our own assessment model places each company at a particular stage in the journey.

OUTCOME

Assessed 40 companies using the NZIF alignment tool.

- 36 of these responded to our letter.
- Held meetings with 15.
- These meetings were largely positive: companies generally showed they were putting in the groundwork and setting up the processes for credibly decarbonising over the long term.
- 25% of portfolio companies by funds under management and administration already had science-based targets (22%) or were committed to setting them (3%).

PARTIALLY SUCCESSFUL

REVIEWING 2024

NATURE AND BIODIVERSITY

OBJECTIVES

Persuade companies to protect and restore nature and biodiversity, through the lenses of ambition, assessment, targets, implementation, governance and engagement with external parties. We'd seek to do this through membership of NA100. We'd also restate our nature-related expectations already made in letters to companies with which we engaged in 2023.

OUTCOME

- Became signatory to WBA Nature Collective Impact Coalition (CIC) ***Public Endorsement***.
- Signatory to CIC ***Investor Statement***.
- Endorsed ***PRI Spring***, a nature stewardship initiative.
- Held engagement meetings with NA100 target companies.
- Played active role in NA100 engagement teams.
- Established Rathbones Group Climate Change and Nature Working Group.

PARTIALLY SUCCESSFUL

REVIEWING 2024

UK ENERGY MARKET REFORM

OBJECTIVES

Working with NGOs, other investors and companies, seek to establish a common set of engagement demands covering:

- ensuring grid readiness for net zero
- addressing bottlenecks in connecting renewable energy projects to the grid.

OUTCOME

- Held meetings with E3G, Energy UK, Octopus Energy and Energy Systems Catapult.
- The Conservative government adopted the changes we were asking for. But this was overtaken by events, as the new Labour administration has a more ambitious plan for the grid and for net zero in general, which reduces the need for engagement with the government.
- Joined Institutional Investors Group on Climate Change (IIGCC) UK Policy Group and attended its meetings. This was a sensible evolution of our approach as it drew on our collective strength and expertise.
- Our partners for this engagement covered many energy grid issues in a major lobbying document launched to influence the new government, *IIGCC Call to Action for UK government 2024*. We attended the meetings that shaped this document.
- Jointly signed letter addressed to key figures in the UK energy system, calling for better support for battery storage companies.

PARTIALLY SUCCESSFUL

REVIEWING 2024

MODERN SLAVERY

OBJECTIVES

- Encourage every FTSE 350 company to properly disclose steps taken to prevent modern slavery.
- Hold a meeting with every FTSE 350 target company not complying with the reporting requirements of the UK Modern Slavery Act 2015.
- Influence every non-compliant AIM company to meet the reporting requirements.

OUTCOME

- 105 out of 158 companies were compliant by the end of the year.

FTSE 350:

Wrote to 32 companies:

- 30 became compliant.
- 2 committed to make changes.
- Held meetings with 5 companies to discuss their policies and actions against modern slavery in more detail.

AIM:

Wrote to 126 companies:

- 81 became compliant.
- 9 committed to make changes.
- 9 required further engagement/monitoring.
- 11 didn't respond.
- 4 had delisted (but 1 had still committed to become compliant).
- 6 said they didn't fall under the threshold of the Act but 2 committed to improve transparency in their next annual report.
- 1 said it followed the Canadian Modern Slavery Act for modern slavery reporting.
- 1 said it followed the Constitution of the Republic of South Africa Act 108 of 1996 for modern slavery reporting.
- 1 has had its shares suspended from trading.
- 1 has had its shares on AIM cancelled.
- 2 responded but didn't make the changes.

PARTIALLY SUCCESSFUL

REVIEWING 2024

MINING

OBJECTIVES

In 2024, Mining 2030 planned a series of working groups to generate change for the better across the mining industry, while supporting the sector in meeting the vital mineral demands of society, including the journey to net zero. For more details of this, see 'Sustainability in mining' above.

OUTCOME

- Mining 2030 moved slowly in 2024. Phase One didn't end until November, with the publication of a major report assessing the critical ESG issues for mining companies out to 2030.
- In the meantime, we explored ways of influencing mining companies on sustainability while we waited for Mining 2030 to make progress.
- Several new approaches to consolidating standards in the industry appeared in 2024. We wrote to all mining companies in which we had major investments, calling for them to adopt meaningful ESG standards for their operations. We also asked them to support the CMSI and Irma (see 'Mining and sustainability' above).

PARTIALLY SUCCESSFUL

REVIEWING 2024

CORPORATE HUMAN RIGHTS

The rights of workers in companies and their supply chains, as well as companies' impact on customers and communities.

OBJECTIVES

Using the WBA's Corporate Human Rights Benchmark as its yardstick for the first time, Rathbones would encourage companies to follow best practice on human rights.

OUTCOME

Letters sent to target list of 12 companies in February.

- Responses from 11.
- Held meetings with 6.
- We learnt from responses and discussions so far that some of the 11 companies did engage with the WBA - but not in time for their comments to be included in the WBA's reports on these companies. The WBA didn't make retrospective amendments to their reports to reflect this.
- We concluded that some issues flagged by the companies in response to the WBA's work could be fed back to improve its processes in the future.

PARTIALLY SUCCESSFUL

REVIEWING 2024

SMALLER COMPANY GOVERNANCE:

Annual director re-election

Say on pay

Fully independent remuneration committees

OBJECTIVES

The majority of businesses on AIM follow a set of corporate governance rules called the Quoted Companies Alliance (QCA) Corporate Governance Code. Our work concentrated on three areas of the Code where we thought companies could improve.

For companies in our target list, successfully encourage them to:

- make all directors subject to annual re-election by the time of their 2024 AGMs
- have remuneration committees filled by independent directors free from potential conflicts of interest, including the chair, by the time of their 2024 AGMs
- give shareholders a vote on management's pay arrangements, at their 2024 AGMs and thereafter.

OUTCOME

- 42 companies responded in full, with 2 providing a partial response ahead of a full one.
- 25 committed to making changes then or by the 2025 AGM.
- 8 were reviewing the Code further before committing to make changes.
- 6 required monitoring, with a likely need for further engagement.
- 2 had chosen to follow the UK Corporate Governance Code instead.
- 1 had chosen to follow the AIC rather than QCA Code.
- 1 said the QCA Code wasn't appropriate because it was domiciled in Guernsey (the QCA Code covers only UK companies).
- 1 had delisted.

Importantly, in 2024 we attended three AGMs in person of companies in our target list. We did this to raise even more effectively the importance of following governance best practice.

SUCCESSFUL

ADDITIONAL INFORMATION

RATHBONES