RATHBONES

GROUP ENGAGEMENT POLICY

1. INTRODUCTION

Rathbones Group Plc (Rathbones) sees it as our responsibility to be good, long-term stewards of our clients' wealth; our aim is to deliver on clients' investment objectives while recognising that long-term returns are dependent upon the continuing good health of the overall economy.

Our **Responsible Investment Policy** defines responsible investment (RI) as the purposeful integration of environmental, social, and corporate governance (ESG) considerations into investment management processes and ownership practices. Our approach to responsible ownership practices is further codified in one of our four RI principles – engagement with consequences – which states:

We prioritise engagement where we can help make a difference in addressing systemic ESG challenges. We are prepared to escalate our engagement activity or reduce our holdings in companies that continue to present an ongoing ESG risk.

As a signatory to the Principles for Responsible Investment (PRI), a United Nations-supported network of investors, and the UK Stewardship Code, we aim to be aligned to best practices in relation to engagement and responsible ownership and regularly report to relevant bodies on our processes and progress. In addition, we are subject to the requirements of the Shareholder Rights Directive II (SRD II), a European Directive which aims to strengthen the position of shareholders and encourages shareholder engagement, and we make relevant disclosures annually.

We have adopted this Policy to set out our engagement principles in respect of the companies in which we invest.

2. SCOPE

The Engagement Policy applies across Rathbones Group Plc and includes all existing business segments, including Rathbones Investment Management (RIM), Rathbones Investment Management International (RIMI), and Rathbones Asset Management Limited. We engage on clients' behalf with companies held by them in Rathbones-managed portfolios and funds. However, different business units have policies and procedures specific to their engagement efforts and to reflect the nature of the products and propositions they offer.[1] In some circumstances, collaborative and strategic engagement campaigns may be undertaken on behalf of one part or all of the business.

While our ambition is to apply our RI principles across all major asset classes (equities, fixed income, and collectives), our engagement activities are focused on those companies/funds with which we can directly engage upon purchasing their shares or debt.[2] Whilst our ability to influence via our ownership of collectives is limited, we engage with the managers of the funds in which we invest and conduct detailed due diligence to determine the fund's ESG credentials, policies, and processes. We also communicate to the fund managers with whom we have significant relationships our stewardship priorities and the ESG standards which we expect them to meet.

1 Our specialist ethical, sustainable and impact investment team, Greenbank Investments, provides a case in point. While engagement on issues of common interest is conducted at Group-level, Greenbank may separately conduct engagement with companies and on themes specifically relevant to it. It publishes a separate Greenbank-specific Engagement Policy and annual Engagement Review which provide insight into its engagement priorities and processes

2 We recognise that the tools, priorities, and time horizons for engagement on behalf of shareholders and creditors may differ and act accordingly.

3. OUR PHILOSOPHY

We believe that engagement on ESG issues forms part of our wider responsibility as a business to society. While the primary purpose of engagement is to enhance and protect assets in our portfolios, we also have a role to play in addressing and minimising systemic risks which may affect those assets. In alignment with our fiduciary duty, we engage with both issuers and policymakers on upcoming regulatory initiatives or issues that may give rise to systemic risk which we determine may have an effect on clients' returns.

Our general philosophy is to engage in a constructive manner with investee companies, working in collaboration with them to garner the best result for our clients, the company's long-term prospects and the society. We leverage our in-depth knowledge of the issuers whose shares or debt we own to undertake an open and ongoing conversation with them with the aim of building strong relationships. This approach helps us develop a rapport, leading to quality engagements on ESG issues of specific relevance to each target company. As a result, we are able to influence companies over a longer time horizon, can promote embedded change within the company's structure and strategy (in contrast to "quick-fixes") and secure outcomes which facilitate investment gains over the long term. We act collaboratively to build consensus across the market and society on essential ESG issues. In certain circumstances, should this constructivist approach not yield satisfactory results, we may make the decision to engage in a more directive manner. The tools we use to implement this philosophy are set out below.

4. ENGAGEMENT TOOLBOX

We assess each engagement opportunity individually to determine how we can achieve the best result for our clients and society. During any engagement campaign, we may adopt one or a combination of the following tools depending on the nature of the issue or the culture of the company or issuer:

Written dialogue
We consider formal written correspondence with companies or issuers to be an important method of interaction, particularly when we vote against management at an AGM or EGM.

Private dialogue
Our investments give us access to the management teams of issuers and companies. We may engage in private dialogue on key ESG topics with management to build mutual trust and set priorities, especially on long-term engagement projects.

Public engagement
On occasion, it is appropriate to use the public sphere to express our opinions and hold management to account for performance in many areas. This may take the form of public letters, press or placed content in other media and may include strategies like "naming and shaming" wherein the names of companies performing poorly against a benchmark are published in public forum as a method of triggering engagement.

Regular outreach
On many long-term systemic issues, conducting regular planned dialogue is helpful to setting priorities and holding management to account.

Collaborative engagement
We may join collaborations with other investors through industry bodies or informal groups where we see value in collectively engaging to facilitate action across important topics including climate change. The decision to engage collaboratively is taken on a case-by-case basis, in line with our conflicts of interest policy and with the overarching aim of acting in the best interests of clients.

Active ownership/voting
We exercise the right to vote at investee companies' shareholder meetings on behalf of our clients. This is known as proxy voting. We have adopted a sustainability-integrated bespoke **voting policy** which guides our use of proxy voting powers as a means of escalation in relation to ESG topics and climate change.

Shareholder resolutions
Whilst many meeting resolutions are routine, we review all resolutions tabled at shareholder meetings by fellow shareholders and participate actively as co-filers when appropriate.

Exclusions
We have established a policy and process under which investments which breach our ESG standards and do not respond to engagement in an adequate and timely manner may be labelled as excluded investments and be restricted from inclusion in Rathbones-managed funds and portfolios. When a company with which we have engaged is designated as an excluded investment, we communicate this with management.

These methods are not used in any linear order. How we engage is determined on the basis of several factors including the nature and timing of the issue, the type of company and our resources. In addition, we have established internal policies which oversee our decision-making around co-filing resolutions and signing up to collaborative engagements.

5. ENGAGEMENT PROCESS

5.1 IDENTIFYING PRIORITIES

Every year, we review and update our **Engagement Action Plan** which sets out our annual strategic priorities and goals. Through materiality analysis, we identify and prioritise ESG issues most relevant to our existing investments. This annual exercise enables us to scan the horizon for upcoming issues and themes, determine relevant areas of focus and establish targets for the upcoming year, covering a broad range of environmental, social and governance -related topics. This annual Action Plan is published on the Rathbones' website.

Other issues may, however, emerge to which we may need to respond. Our goal is to expend our time and resources in a manner that allows us to focus on material and systemic issues while still being agile. This is so that we are able to react to any time-sensitive opportunities or participate in ad hoc opportunities for targeted engagement which may arise from ongoing, long term engagement campaigns.

When an opportunity for engagement is identified, a formal approval process is followed, during which we assess the issue and our potential response by considering:

i. Our exposure: we are more likely to engage directly where we hold a material stake in the company, which we define as holding in excess of 2.5% of a company's share capital,[3] or where the security is widely held across the business.[4] We are also more likely to engage where the company is on the list of investments recommended by Rathbones' research team.[5]

ii. Severity: we are more likely to engage on issues that present an immediate or severe threat to the best interests of our clients, are material to our holdings or where the ESG issues in discussion are of a pressing and severe nature.

iii. Location: we are more likely to engage directly with those companies where we have a deeper understanding of the local legal framework. Globally diverse companies may be better suited for collaborative engagements.

iv. Expertise: we are more likely to engage where we have deeper experience of the issue at hand.

5.2 SETTING TARGETS AND TIMELINES

It is important that all engagement is conducted with a sense of purpose. We endeavour for every engagement to have clear and precise objectives and track this as formal engagement activity.

Many engagements deal with intangible factors such as corporate culture that are less suited to quantifiable targets. However, where an engagement is suitable for a focus on measurable outputs, we seek to establish 'SMART' (Specific, Measurable, Attainable, Realistic and Time-bound) objectives. For every annual engagement priority, clear targets are disclosed and reviewed annually as we set our Engagement Action Plan.

We establish clear timelines for our engagement campaigns, where practicable, including striving to determine the length and scale of ad hoc, reactive engagements.

From time-to-time, we may undertake long term and sustained engagement on a specific issue or theme (for example, Net Zero). Such engagement may be motivated by our participation in market-led initiatives or by our own research. We may set specific targets for thematic engagements that deviate from the process and timeline described above. Targets will be determined by sectoral guidelines which we are developing with input from our financial and ESG integration analysts, Stewardship team and specialist Greenbank analysts.

3 This means that we may vote on smaller holdings or smaller companies held across our portfolios because, while small in terms of value, our holding may be significant in terms of the proportion of voting rights.

4 Where we hold bonds, the relevant exposure threshold is decided on a case-by-case basis considering multiple factors

5 On rare occasions, by joining collaborative engagements, we may indirectly be engaging with companies of which we do not own shares.

5.3 ESCALATION

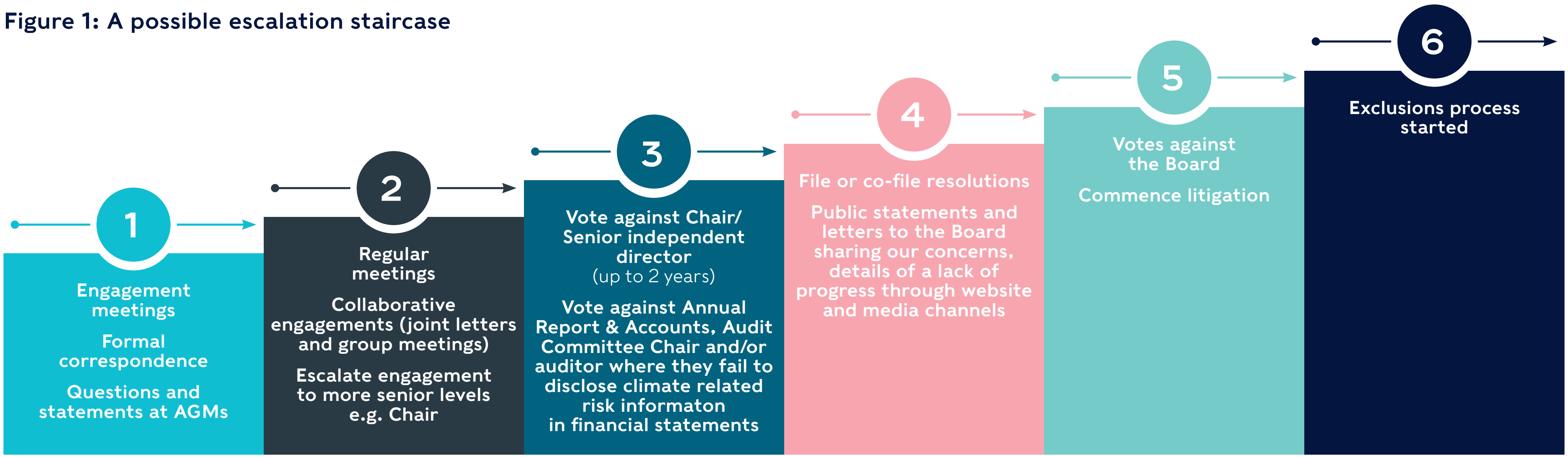
Our Stewardship Team, together with our Engagement and Responsible Investment Committees, determines the process and tools to be used to communicate openly with investee companies, understand the issues and raise concerns. We consider our engagement activities as successful when we see positive change. However, we recognise that ESG issues are complex and may progress over a longer time horizon. We retain flexibility in our response to engagements which are not progressing in line with expectations, recognising that no one-size-fits-all escalation template is suitable for all issuers, sectors, or asset classes. When escalating our engagement against companies and issuers, we act with sensitivity, steadiness, and an eye towards our goal of achieving better outcomes for our clients as long-term investors, society, and the planet.

The exceptions to this flexible approach are well defined or increasingly regulated, high profile, time sensitive and highly material ESG issues, the best example of which are climate change and Net Zero. Here, the risks are so well defined and apply so directly to our pool of underlying securities that a consistent approach is necessary. In these areas, we push investee companies to make commitments within specific time frames and escalate our engagement in a manner that provides accountability to those commitments. To drive our escalation on these issues, we are developing internal frameworks specific to these priority issues which will establish parameters and targets.

We are guided by our RI principles to pursue 'engagement with consequences'. If we determine that our engagement on a particular issue or company is yielding an inadequate response or insufficient progress, we may employ a combination of the methods described in section 4 to escalate our concerns. Escalation may take the form of joining collaborative initiatives to apply greater pressure on companies, filing shareholder resolutions which, even if not passed, can provide a strong signal to company management if sufficient support is garnered from other shareholders, and voting against management on the matter.

If, following sustained engagement and setting measurable targets for the company, we fail to achieve adequate progress, we will deploy our resources elsewhere. In such cases, we will recommend that the company be considered for divestment through an established governance process.

Figure 1: A possible escalation staircase



6. TRACKING AND REPORTING

Where we interact with companies, issuers or policy makers using the methods mentioned in the toolbox, above, we track such engagements. These numbers provide a high-level indication of our annual activity.

In addition, where an engagement is suitable for quantitative objectives, progress is tracked. A quarterly management information pack is provided to the Engagement and Responsible Investment Committees containing a summary of engagement status of all priority annual engagement themes. Given the medium to long term nature of engagement with issuers, annual reporting to clients is provided.

7. CONFLICTS OF INTEREST

We have policies in place to manage conflicts of interest that may arise during our engagement activities. Such policies include the Group Conflicts of Interest Policy and an Investment Committee Conflicts of Interest Policy, copies of which are available on request.

7. RESPONSIBLE INVESTMENT GOVERNANCE

The overarching responsibility for our RI activities sits with the Rathbones Group board. Within the governance structure supporting the board, our Responsible Investment Committee (RIC) provides oversight and guidance for our approach to RI. The RIC undertakes an annual review of this policy.

Our Engagement Committee provides oversight of our engagement activities, including responsibility for defining SMART goals where relevant, tracking progress against objectives, advising on an escalation approach, and acting as an end point for engagements. The Engagement Committee provides regular updates to the RIC.

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