GLOSSARY

Climate Action 100+
A global investor coalition engaging with the world's largest corporate greenhouse gas emitters to take action on climate change.

Climate risk
Risks that can harm the performance and valuation of our investments. This includes the physical risk of damage to assets or income. It also includes the transition risk that a company may be harmed by the global economy's transition to net zero greenhouse gas emissions.

Collective
An investment vehicle, such as an investment trust, composed of a pool of different investments.

Governance
The system of rules, practices and processes in place to manage and control a company.

Embedded emissions
The emissions associated with an investment company's investments. For example, if Rathbones had a 1% share of a company with 20 million metric tons of CO_2 emissions, Rathbones' embedded emissions from that investment would be 0.2 million tons.

Engagement
Using our voice with companies, industry bodies and policymakers to address ESG issues of concern, improve ESG practices and disclosure, and bring about positive change. It includes many approaches, such as meetings with senior management, public statements, collaboration with other investors and tabling or voting on resolutions at company annual general meetings.

ESG
A widely accepted shorthand term – in full, environmental, social and governance – that refers to the three main categories of non-financial risk that must be managed by companies in client and fund portfolios. Originally an adjective but increasingly used as a noun too.

Ethical investment
Investment that excludes or promotes investment in certain activities based on personal or corporate values. Common exclusions are weapons, alcohol and gambling.

Fiduciary duty
An obligation to act in someone's best interest. We have a fiduciary duty to our clients.

Impact investment
Investment intended to generate a measurable, beneficial social or environmental impact alongside a financial return.

Institutional investor
Large institutions that invest correspondingly large amounts of money – as opposed to households. Examples are pension funds and investment management businesses such as Rathbones.

Just transition
The idea that the transition to a green global economy takes place while also supporting those who stand to lose economically – be they countries, regions, industries, communities, workers or consumers.

Materiality
Both the idea that ESG factors can affect the valuation of a company, and the notion that only certain aspects of ESG performance are directly relevant to a particular company. For example, biodiversity is more material to a global agribusiness, which could suffer consumer and investor boycotts for sourcing beef from pastureland created by destroying rainforest, than to an IT services company.

Modern slavery
The UK Government defines modern slavery as the recruitment, movement, harbouring or receiving of children, women or men through the use of force, coercion, abuse of vulnerability, deception or other means for the purpose of exploitation.

Net zero
Achieving net zero emissions means balancing the release of greenhouse gases into the atmosphere by absorbing or avoiding an equivalent amount.

Non-executive director
A board member without a day-to-day management role at a company.

Paris Agreement
An international accord to limit global warming, adopted at the 2015 UN Climate Change Conference. Countries agreed to work to keep temperature increases to well below 2°C above pre-industrial levels, and preferably to 1.5°C. This involved reaching net zero emissions by the middle of this century.

Principles for Responsible Investment (PRI)
A global initiative, backed by the United Nations, committed to advancing responsible investment through six aspirational principles.

Proxy voting
Voting on resolutions at company meetings by a party appointed by the underlying investor, such as an investment manager.

Responsible investment
The purposeful integration of ESG considerations into investment management processes and ownership practices.

Resolution
An item of business at a meeting of shareholders. A resolution is a formal decision taken at a meeting through a vote. Resolutions are usually proposed by the company, according to local regulatory requirements. However, a minority are proposed, or 'tabled', by shareholders (see shareholder resolution' below).

Science Based Targets initiative
Science-based targets provide companies with a roadmap for reducing their emissions at the pace and scale that the science tells us is necessary for a 1.5°C world. In most cases, companies ask an organisation called the Science Based Targets initiative to check and approve them.

GLOSSARY CONTINUED

Scope 1, 2 and 3 emissions
Defined by an international body called the Greenhouse Gas Protocol, the scopes are categories used to measure the different types of carbon emissions of companies. Scope 1 emissions are generated directly by the business (e.g. its facilities and vehicles). Scope 2 covers emissions caused by something a company uses, such as electricity. Scope 3 is notoriously hard to measure but covers other emissions for which a company is responsible, such as emissions generated when its products are used, and – for a financial services company – emissions generated by its investments.

Shareholder resolution
A proposal submitted by shareholders to the management of a publicly listed company. Shareholders vote to accept or reject it at the annual general meeting.

Stewardship
Investors' use of their rights and influence to protect and enhance overall long-term value for clients, including the common economic, social and environmental assets on which their interests depend.

Sustainable Development Goals
A set of 17 goals set out by the United Nations, which are designed to make life better for people without harming the ability of future generations to meet their needs. That includes not damaging the planet. Each goal contains a number of targets. For example, Goal 3 is Good Health and Well-Being, and Target 3.b is to create vaccines and medicines for developing country diseases and to make essential medicines and vaccines affordable.

Sustainable investment
Investment in companies with business models that help the planet or society – or at least that don't harm the planet or society. Sustainable investors often anchor their investing to the Sustainable Development Goals (see earlier).

Systemic risks
Risks that may impede the healthy functioning of society, ecosystems and the economy – and so may affect the prospects for investment risk and return.

Task Force on Climate-related Financial Disclosures (TCFD)
The TCFD was created in 2017 to encourage companies to report their annual emissions and include in their annual reports risks to their business because of climate change. In 2022, the UK became the first major economy to require large companies and financial institutions to make disclosures aligned with the TCFD framework. In October 2023 the TCFD disbanded and its work was transferred to the IFRS Foundation.