

Rathbone Brothers Plc responsible investment policy

Rathbones
Look forward



Our purpose

Thinking, acting and investing responsibly

We see it as our responsibility to invest for everyone's tomorrow. That means doing the right thing for our clients and for others too. Keeping the future in mind when we make decisions today. Looking beyond the short term for the most sustainable outcome. This is how we build enduring value for our clients, make a wider contribution to society and create a lasting legacy. Thinking, acting and investing responsibly.

Introduction

We have been trusted for generations to manage and preserve our clients' wealth – for private clients, charities, trustees and professional partners. Our tradition of investing and acting responsibly has been with us from the beginning and continues to lead us forward. Our ambition is to be recognised as the UK's most responsible wealth manager. We know that investing for tomorrow and leading the way can take time, we have the discipline and resilience to see things through.

We are used to looking beyond the short term for the most sustainable outcome. *Thinking, acting and investing responsibly* – the purpose at the core of our culture and investment process – enables us to build enduring value for our clients, make a wider contribution to society and create a lasting legacy. As the world changes, we see it as our responsibility to understand each generation's changing priorities and investment preferences. Being responsible for today and tomorrow, we are open to the new yet always guided by the long view.

The Rathbone family have led the way in supporting progressive causes in the UK – from the abolition of slavery to workers' rights, universal suffrage and financial support for families. We recognised the importance of responsible investing years ahead of our peers, and through our specialist Greenbank investment team started offering ethical and sustainable portfolios in 1997. Having been one of the early private wealth managers to sign up to the Principles for Responsible Investment (PRI) in 2009, we were delighted to achieve a top A+ PRI rating for Strategy and Governance for the third year running in 2019. We've achieved a lot over the past years and look forward to doing more to embed principles of responsible investing into our investment processes.

Today we are committed to progressing our responsible investing agenda, ensuring that we adapt our approach to new information as increased disclosure on environmental, social and governance (ESG) factors becomes available, and commit to ongoing active engagement with the companies in which we invest. This policy defines our overarching approach to responsible investing within our investment framework. Its recommendations apply across all existing business segments and across all major asset classes.

Responsible investment, our definitions

Our responsible investment committee defines responsible investment as:

The purposeful integration of environmental, social and corporate governance (ESG) considerations into investment management processes and ownership practices in the belief that these factors can have an impact on financial performance.

The committee has adopted the following, non-exhaustive definitions of the underlying components of ESG¹:

Environmental (E)

Issues relating to the quality and functioning of the natural environment

These include: biodiversity loss, greenhouse gas emissions, climate change, renewable energy, energy efficiency, air, water or resource depletion and pollution, waste management, ozone depletion, changes in land use, ocean acidification and changes to the nitrogen and phosphorus cycles.

Social (S)

Issues relating to the rights, well-being and interests of people and communities

These include: human rights, labour standards, child, slave and bonded labour, workplace health and safety, freedom of association and expression, human capital management and employee relations, diversity, relations with local communities, activities in conflict zones, health and access to medicine, consumer protection and controversial weapons.

Governance (G)

Issues relating to the governance of companies and other investment vehicles

For listed equities, these include: board structure, size, diversity, skills and independence, executive pay, shareholder rights, stakeholder interaction, disclosure of information, business ethics, bribery and corruption, internal controls and risk management, and, in general, issues dealing with the relationship between a company's management, its board, its shareholders and other stakeholders. This category may also include matters of business strategy, encompassing both the implications of business strategy for environmental and social issues and how the strategy is to be implemented.

For unlisted asset classes, governance issues also include matters of fund governance, such as the powers of advisory committees, valuation issues, fee structures, etc.

Our commitment

The concept of responsible investment is fully aligned with our heritage, purpose and values. Our first formal commitment came in 2009 when we signed up to the UN-backed Principles for Responsible Investment (PRI)².

Our adoption of this policy marks a further step in our journey to align our business with the core principles of the PRI.

We believe that *thinking, acting and investing responsibly* will be beneficial for a number of reasons:

- **Long-term stewards:** we are obliged to identify long-term sustainable investments that take into account ESG factors, especially as non-financial factors may have consequences that only appear over the longer term.
- **Clear evidence on materiality:** evidence suggests that integrating ESG analysis into the investment process brings no penalty to returns and arguably enhances them. ESG integration is rapidly becoming embedded in 'mainstream' investment management as a means through which to identify both material risks and opportunities. Failure to do the same will leave us lagging our peers.
- **Investor demand:** there is a growing demand from society for companies to operate responsibly and this has followed through to the need to provide more responsible solutions for clients.
- **Increasing regulation:** UK and European regulators are noticeably tightening rules around the promotion of financial products claiming to apply ESG factors. Across the industry, advisory bodies and associations are formalising approaches to responsible investment. The EU Technical Expert Group on Sustainable Finance (TEG), the Financial Reporting Council (FRC), and the Investment Association are all working to provide concrete definitions of responsible investment.

² <https://www.unpri.org/pri/what-are-the-principles-for-responsible-investment>

Our core responsible investment principles

Materiality

We recognise that ESG risks can be material to the performance and valuation of investments

Many ESG factors are considered financially material, with both positive and negative implications for the performance of companies. Poor management of ESG-related risks can lead to divergences in the best interests of company management, shareholders and other stakeholders. This can lead to a material impact on the physical environment and communities. We will embed further the analysis and evaluation of ESG factors into our investment process.

Voting

We actively consider votes for client holdings

We strive to be good long-term stewards of the investments we make on behalf of our clients. Our major responsibility is to make full use of shareholder votes and ownership rights to influence companies to opt for long-term, more sustainable practices. We aim to ensure that company boards provide appropriate and independent oversight of management strategy and company activities. We will also encourage the identification and management of ESG risks to protect long-term asset values and encourage enhanced ESG disclosure. We source advice from an independent voting consultant and maintain a bespoke voting policy which builds on established best practice and is updated by our responsible investment committee. We will apply our resources to where it makes the most difference to the greatest number of clients and report annually on our voting activities within our voting report.

Engagement

We actively engage with companies on ESG issues, which is an important adjunct to voting activities

While we reserve the right to respond as appropriate, as determined by the circumstances, our general approach to engagement is outlined by the graphic below:



A summary of our active ownership principles can be found in our engagement policy.

Reporting

We will report annually on the progress of our responsible investment activities

Integrating ESG factors into our research, engagement and investment process is pointless if we are not transparent about our progress. It is vital that we produce annual reporting for our clients and other stakeholders, while also making a detailed submission to the annual PRI reporting cycle. We will evolve our reporting in this area in line with expected regulatory developments.

Please take a look at our latest [PRI transparency report](#) and [stewardship report](#) for more information.

Conflicts of interest

Conflicts may arise from Rathbone Brothers Plc's responsibilities as a listed company under the principles of the UK Corporate Governance Code and those of ESG disclosure and the best practice of peers. The direction of our voting and engagement activities may, on occasion, be inconsistent with our own internal ESG management arrangements. The internal management of ESG risks by Rathbone Brothers Plc is outside of the remit of this policy and the responsible investment committee. Where such conflicts arise, they will be dealt with in line with our conflicts of interest policy.

Approval and review

This policy was reviewed and approved by the investment executive committee and group executive committee in November 2019.

The policy will be reviewed and updated annually from first publication.

Find out more

[Responsible capitalism report](#)

[Our stewardship policy](#)

[Our engagement policy](#)

[Our UN PRI transparency report](#)

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We are covered by the Financial Services Compensation Scheme. The FSCS can pay compensation to investors if a bank is unable to meet its financial obligations.

For further information (including the amounts covered and the eligibility to claim) please refer to the FSCS website www.fscs.org.uk or call 020 7892 7300 or 0800 678 1100. Unless otherwise stated, the information in this document was valid as at 1 December 2019. Rathbone Brothers Plc is independently owned, is the sole shareholder in each of its subsidiary businesses and is listed on the London Stock Exchange.

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