Responsible investment report 2021

Relating to
2020 activity

Rathbones
Look forward

Responsible investment report 2021

Contents

‘Thinking, acting and investing responsibly’

Foreword from Paul Stockton, CEO

Responsible investment is now, and will continue to be, a priority here at Rathbones. We are proud of the achievements we have made to date, and by setting ourselves ambitious targets we recognise the work that needs to be done, not only within our organisation but across the industry.

We will work with our industry partners to promote responsible investment – not only within financial services, but across all the sectors and asset classes in which we invest, and will continue to integrate these issues throughout our research and investment decision making to ensure the best outcomes for our clients.

Since the company was founded as a timber merchant in the early 1700s, many prominent members of 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 struggling families, Rathbones has always been an organisation that strives to think, act and invest responsibly.

These values are what drive our organisational culture and our investment process. We aim to lead the UK wealth sector by adopting an intelligent and active approach to responsible investment that takes a holistic view of investment opportunity and risk.

We do this by thoroughly considering the relevant environmental, social and governance factors and actively engaging with the companies in which we invest.

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 this report we provide a detailed overview of our ownership activities under our responsible investment policy.

Responsible investment and stewardship at Rathbones

We believe it is in the best interests of our clients that the companies we invest in adopt best practice in managing environmental, social and governance (ESG) risks. This provides each company with a framework for managing its operations in the long-term interests of its shareholders. As an investment manager mindful of our responsibilities to our clients, we seek to be good, long-term stewards of their wealth, as outlined in our responsible investment policy.

Our major responsibility in this regard is to ensure that company boards are functioning well in their role to independently oversee their activities and their management teams, and to make sure the full scope of ESG risks are reported on and managed. We have developed a robust approach to proxy voting as a fundamental expression of our stewardship responsibilities. However, stewardship is not limited to this activity alone. Engagement with companies on ESG issues is an important adjunct to voting activities.

This report will explain Rathbones' approach to responsible investment within the context of our activities over the last 12 months.

Our responsible investment principles

We have four core principles that guide our responsible investment activities:

ESG integration
When we evaluate investments, we will consider material environmental, social and governance (ESG) factors to help identify opportunities and risks.

Voting with purpose
We actively vote across over 95% of the value of our holdings in line with our responsible investment commitments. This may involve voting against management to help drive positive change.

Engagement with consequences
We prioritise engagement where we can make a real difference in addressing the world's systemic environmental and social challenges. 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. We will actively report on the progress of our activities to our clients, shareholders and other stakeholders.

ESG integration

When we evaluate investments, we will consider material environmental, social and governance (ESG) factors to help identify opportunities and risks.

As investment managers, our fiduciary responsibility is to deliver risk and return outcomes that align with client objectives. We understand that ESG factors may influence the health of the global economy, the environment and society, and that we have a responsibility for the impact our investments have in the world. We also understand that ESG factors can impact on the financial performance of individual investments with the potential to impact client portfolio returns. By integrating the analysis of ESG factors into our investment process we can achieve a balance between these aims, manage ESG risk and identify high quality investments with attractive financial characteristics that also make a positive contribution to society.

2020 developments

We have been working hard to enhance our investment process and build out our research approach in order to identify, evaluate and consider ESG factors alongside all other investment drivers and to inform investment decisions. The focus of this work has been on security selection covering the areas of equity, fixed income and collective investments.

The research team have access to a wide range of ESG data sources and qualitative information to assist with identifying relevant ESG factors and analysing how these relate to the investment universe. During 2020 we acquired additional ESG information sources and continued to map ESG characteristics to our holdings and to develop ESG materiality frameworks for different sectors and individual investments. We also upgraded the due diligence questionnaires that form a vital part of our fund selection process in order to better understand how advanced external asset managers are in their approach to responsible investment and how this translates to their investment process in practice.

Using these data sources, our analysts aim to identify the material ESG risks and opportunities that may impact investments and understand how this links to different financial and value drivers. Regular dialogue with company management teams facilitates a deeper understanding of ESG exposures, sustainability practices and how effectively they are being managed. These interactions may also identify opportunities for further engagement. Investment research reporting templates have been enhanced to reference ESG drivers in the summary and investment case sections, as well as a dedicated section containing more detail. For new security recommendations, analysts summarise their findings by explaining how material ESG influences may impact the investment case and any mitigating factors.

This information is synthesised into a Rathbones ESG rating and recommendation proposal. The investment committees use this information to inform recommendation decisions and where relevant, to identify opportunities to create value through further engagement with the company.

During 2020, thematic research working groups have been established in order to identify drivers and enablers of change in the investment landscape and to assist with joining up macro, micro and thematic insights, identify investment opportunities and highlight risks. The working groups, which include investment managers, the research team and ESG specialists, leverage intellectual capital from across the business. Three broad themes of climate change, next generation capitalism and disruptive technology have been agreed as the framework for researching the catalysts and enablers of change, this work is expected to highlight a longer pipeline of sub-themes and specific investment ideas, many of which are likely to highlight ESG and sustainability related opportunities.

As a firm we are committed to continuous knowledge development and learning. In 2020, we trained investment professionals across our UK offices in aspects of ESG, placing an emphasis on understanding the risks and opportunities of climate change. The majority of our research team have undertaken and completed structured ESG training courses which has aided understanding of how to incorporate ESG into our research and investment process as we prepare to broaden our coverage.

We expect ESG research and analysis to form an increasingly important part of our investment analysis, provide input into portfolio decisions and in supporting conversations with clients about the broader set of risks and opportunities that may impact their investment portfolios. We continue to develop our resource and knowledge in this area and commit to further broaden and deepen our approach to ESG integration in 2021.

2021 commitments

Following a year during which we made great progress, we have again set ourselves ambitious goals.

By the end of 2021, we aspire to have further developed our data and materiality mapping processes and to incorporate ESG considerations more broadly across the coverage universe.

Our thematic research work will also continue to inform our investment thinking and assist in identifying new opportunities that tap into positive sustainability themes and improving ESG performance.

We are also developing processes to facilitate the assessment of specific climate related considerations into our research, investment decision making, portfolio construction and client reporting.

We will continue to deliver company-wide training on ESG and sustainability issues and through our continued membership of programmes such as PRI and SASB, we continue to learn and contribute to industry wide efforts to identify best practice and explore the use of evolving sustainability information.

Voting with purpose

We actively vote across over 95% of the value of our holdings in line with our responsible investment commitments. This may involve voting against management to help drive positive change.

As proponents of responsible investing, we have a duty to lead by example, act with integrity and promote a positive culture within our investee companies. We believe it is in our clients' best interests that the companies we hold in our portfolios adopt best practice in corporate governance. Given this commitment, we will use our voting activities to:

- be long-term stewards for a more sustainable world
- protect returns
- ensure ESG integration across investments.

The voting sub-committee of our responsible investment committee is responsible for developing and maintaining a bespoke corporate governance policy that builds on established best practice, and is compliant with and inspired by the UK Corporate Governance Code (which covers UK companies). We have developed bespoke voting policies for our UK equities and international holdings, and in 2020, we created a new collectives voting policy that aligns with the AIC Code of Corporate Governance to cover our voting on investment trusts. Voting in line with our corporate governance policy on our most widely held stocks helps us execute our responsibilities under the UN Principles for Responsible Investment (PRI), of which we have been a signatory since 2009.

Our primary governance goals as expressed in our voting policy are to encourage boards to:

- adopt clear values and standards in business dealings throughout the organisation
- develop a culture of transparency and accountability
- focus on strategic issues and the quality of the business rather than simply short-term performance
- develop appropriate checks and balances to deal with conflicts of interests
- maintain effective systems of internal control and risk management
- create fair remuneration structures that reward the achievement of business objectives at all levels
- recognise and responsibly manage impacts on all stakeholders.

In order for boards to deliver on these goals, we believe that boards should demonstrate the following key features:

- boards should be led by an independent board chair
- the board chair and the CEO roles should be separate and not exercised by the same individual
- the board and its committees should retain the requisite balance of skills, experience, knowledge and independence. This includes an adequate level of gender diversity
- clear and fair remuneration arrangements which incentivise shared value-creation should be in place
- for larger companies, at least half of the board should be composed of non-executive directors considered to be independent.

While the core principles of corporate governance are relatively well established, we are always monitoring emerging trends in this area. To ensure that our policy remains fit for purpose, we review it against benchmark standards and principles, and update it accordingly on an annual basis. Following our 2020 review, we took a firmer stance on a number of issues, including the independence of auditors and lead audit partners, female representation at board level, aggregate time commitments for board members, FTSE 100 non-compliance with the 2015 Modern Slavery Act and excessive executive director pension contributions.

Our bespoke policy utilises sustainability-themed advice provided by our proxy voting consultant. This ensures that our policy integrates the broader concept of environmental and social sustainability into its considerations.

2020 voting review

In 2020, we voted on 7,245 resolutions at 532 company meetings (2019: 4,817 resolutions at 386 company meetings). We began voting on our international holdings in late 2019 which explains the substantial increase in the number of resolutions and company meetings. This increase is evidence of our deepening commitment to the sound stewardship of our clients' assets.

Since best practice now requires boards of directors to be re-elected annually, the majority of these resolutions concern the election of board members. However, they also cover important issues such as executive pay, the appointment of auditors, and approaches to managing ESG risk.

2020 voting

	For	Abstain	Against	Meetings	Resolutions
Jan	97.87%	0%	2.13%	24	282
Feb	98.55%	0%	1.45%	32	413
Mar	95.49%	0%	4.51%	25	288
Apr	91.66%	0.18%	5.27%	61	1,139
May	95.99%	2.09%	3.57%	118	1,822
Jun	94.15%	0.12%	4.73%	64	804
Jul	98.82%	0%	1.18%	53	763
Aug	99.19%	4.88%	0%	15	123
Sep	98.5%	0%	1.5%	39	535
Oct	98.43%	0.39%	1.18%	23	256
Nov	99.3%	0%	0.7%	38	433
Dec	95.61%	0.78%	3.1%	40	387
Year AVG / total	**96.96%**	**0.7%**	**2.34%**	**532**	**7,245**

Note: The data provided are in summary form for general information about voting trends and do not reflect the specific votes entered at a specific company. For example, given our status as a private client asset manager with very close links to our clients, it is entirely plausible (if not frequent) for us to enter three different votes for each votable item, or some combination of For / Against / Abstain. Hence the numbers of items voted For, Against and Abstain would not be expected to add up to the total number of resolutions on which we voted.

On the face of it, our votes in favour of company management may seem high. However, a little context can be helpful in explaining our voting outcomes. First, for any company to be considered for inclusion in our portfolios, good governance is a prerequisite. If we had severe concerns over a company's corporate governance, it would not meet our investment requirements, therefore the worst examples never actually come to a vote.

Second, our voting data covers all resolutions on company agendas, including routine items that usually pass without opposition. It is now best practice for UK companies to seek annual re-election for their boards, therefore each member is covered by an individual resolution in addition to the standard two agenda items on remuneration policy and other standard items. Although arrangements vary across different geographies, most company agendas have around 20 resolutions, of which the majority are routine.

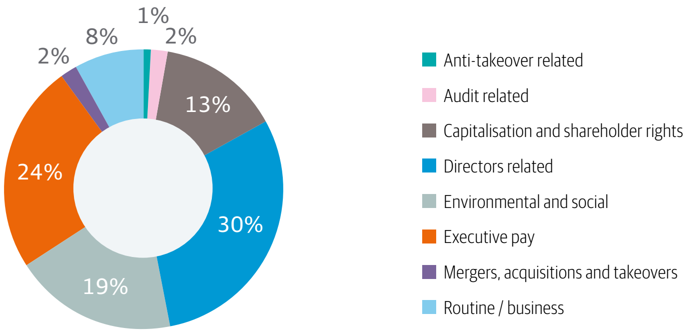
Failing to back a company's management team, (whether through a vote against, an abstention or withholding a vote), is a relatively serious step and tends to occur only where dialogue has failed or serious concerns need to be raised. In the minority of cases where we vote against management, this has usually been related to the issue of executive remuneration, followed by the independence of group directors. With more attention being paid to this area in recent years, the proportion of our votes against management has also increased. In 2020, we voted against management on 299 occasions. The issues that led to these votes are summarised below. By comparison, in 2019 we voted against management 111 times. The substantial increase in 2020 is as a result of voting on our international holdings. As with last year, the two most controversial areas for voting were director-related and executive pay. Environmental and social themed resolutions represented the biggest change in number of votes against management. In 2019, this represented just 1% of all votes against management. In 2020 this grew to 19%. This is illustrative not only of the growing awareness of ESG issues, but also of shareholders placing increased expectations on company management regarding ESG performance.

The table on the right summarises the different ESG issues where we voted against management in 2020. We recognise that these categories are broad, so we have produced case studies that illustrate our engagement with companies on important corporate governance issues.

Sum of number of items votes against management

Proposal type category	Total
Anti-takeover related	2
Audit related	7
Capitalisation and shareholder rights	41
Directors related	91
Environmental and social	56
Executive pay	73
Mergers, acquisitions and takeovers	5
Routine/business	24
Grand total	299

Votes against management



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Combined CEO and board chair roles:

We chose to engage with all companies where the roles of CEO and board chair are combined. Although we appreciate that expectations in this area of governance vary by region, it is our belief that companies and shareholders can benefit in the long term from the separation of these crucial roles. In line with widely recognised best practice, the role of the board chair is to provide independent oversight of senior management, to provide a balance of power between the board and CEO, and to represent the company's shareholders. The role of CEO meanwhile, is to implement the day to day running and management of the company. We feel that combining the CEO and chair roles creates conflicts of interest and makes it more challenging to carry out these key responsibilities.

For instance, we struggle to see how the chair of the board can provide independent scrutiny of the role of CEO in this arrangement and be truly accountable to shareholders. While some companies issue a rationale for combining these roles, our recent experience suggests that the risks outweigh the benefits, which is why we have a tougher stance on this issue.

For our US holdings, we have always supported shareholder resolutions calling for an independent chair, yet only two gained more than 50% support in 2020. Nevertheless, there were some notable resolutions that came close: at Colgate Palmolive the resolution for an independent chair gained 45.8% support, while at JPMorgan Chase it was 42% and at Johnson & Johnson it was 41.6%. We have also tended to vote against the re-election of the board chair if they hold the role of CEO at US companies; however, we approach this on a case-by-case basis considering the provision of 'comply or explain'.

Auditor tenure:

The length of auditor tenure has been a core engagement area for both normal operating companies and for investment trusts. In line with the EU Audit Directive, we will usually vote against the re-election of the chair of the audit committee when an external audit firm has exceeded a tenure of twenty years without any explanation as to when the audit will next be put out to tender. We believe that all companies can benefit from refreshing auditor tenure more regularly, as newer auditors are more likely to be free from potential conflicts of interest and may have fewer impediments to producing accurate, fair and transparent information for shareholders.

While we recognise that the majority of our international holdings are not obliged to follow UK-specific rules on audit rotation, we once again observed examples of weaknesses in the audit process in 2020 that contributed to corporate failures. We therefore believe this justifies our position.

This stance was particularly important for our US holdings, where auditor tenure frequently exceeds 20 years. Where such arrangements exist, we have taken this on a case-by-case basis and voted against the audit committee chair where disclosure has been insufficient. For example, we voted against the audit committee chair at Emerson Electric's annual general meeting because KPMG has been the company's auditor since 1938.

Director over-boarding:
When we invest in a company, we expect it to strike the right balance between expertise and the capacity of its directors to dedicate enough time to their role. In line with our proxy voting consultant, we define an 'over-boarded' director as any person who holds more than five mandates at listed companies. Directors who hold too many positions at other companies can potentially be compromised in their ability to commit sufficient time to their role if a company experiences a crisis. We felt the difficulties that global companies have been experiencing during the COVID-19 pandemic will likely result in increasing time commitments for directors.

In our analysis, an executive directorship counts as three mandates, a non-executive chairmanship counts as two mandates and a non-executive directorship counts as one mandate. We will therefore consider voting against a director when they hold too many positions at other companies. For investment trusts, however, we have taken a more lenient approach based on the assumption that the requirements are generally less onerous than at a normal operating company. We take this on a case-by-case basis, but will consider voting against a specific director if we believe they are incapable of allocating sufficient time to their role.

In 2020, we engaged with a non-executive director (NED) at Gabelli Value Plus Trust who held positions at 12 other companies outside of their role at the company at the time of the meeting. Although the majority of these are at investment trusts, we felt that this was an excessive number of positions for one director. We took a similar stance at Alliance Trust, where a NED had six other positions at investment trusts. We also targeted several of our international holdings for director over-boarding. For instance, the board chair of Tomra Systems holds positions at seven other companies, while the non-executive director at Tencent Holdings has positions at six other companies.

Impact of COVID-19 on 2020 voting

The COVID-19 pandemic has had a dramatic effect on annual general meetings (AGMs) around the world. In 2019, there were 286 virtual meetings globally – these are meetings that take place exclusively online and allow shareholders to vote and participate online. By May 2020 (the latest date for which global data are available) there had already been in excess of 4,000.

Some shareholders argue that this recent shift to virtual-only meetings, which we cover in more detail below, has contributed to less meaningful engagement. A key concern is that questions have to be submitted prior to the meeting, allowing senior management to more easily avoid difficult questions.

Another noticeable effect of COVID-19 on the AGMs has been the number of cancelled meetings. There was an estimated 21.8% reduction in AGM activity of the companies in the major stock market indices in the period.

The way companies handle executive pay continued to be scrutinised by shareholders in 2020. Executive pay is one of the most controversial topics for shareholders and it became an even more contentious area during the pandemic. Some companies have attempted to reduce executive pay as a way of saving costs and aligning the experiences of executive directors with shareholders and wider stakeholders. However, there is an argument that the cuts made by company boards are few and far between, and have not resulted in significant enough adjustments to executive pay.

For example, by August 2020, nearly 40% of FTSE 100 companies had made cuts to executive pay, but the reductions were often only in the form of forgoing annual bonuses or short-term salary sacrifices over the course of a few months. Few FTSE 100 companies chose to cut the longer-term portion of executive remuneration, which often comprises the bulk of pay awards.

It remains to be seen how society will view these trends, but initial results are not encouraging for companies that have maintained high levels of pay in the face of challenging economic conditions.

The situation has been exacerbated by the use of the UK Government's Job Retention Scheme, which was used by more than a fifth of FTSE 100 companies by the end of 2020. Further, nearly half of FTSE 100 companies have suspended or reduced dividends and a growing number have made redundancies. Companies that are found to be paying out considerable awards to executive directors during the pandemic while also accessing government support or making mass redundancies face significant shareholder opposition and reputational damage. This led us to select this issue as one of our key engagement areas for 2021. More information can be found in the Engagement themes for 2021 section of this report.

Engagement with consequences

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

It is our responsibility to have an open dialogue with companies on a wide range of ESG issues, with the end-goal of producing better investment and societal outcomes.

We believe that purpose-driven company engagement on ESG issues forms part of our wider societal responsibility as a business. As investors, we have a role to play in addressing and minimising any systemic risks that may affect the assets in our portfolios. We achieve this through deep, meaningful and long-term contact with companies on a variety of topics.

Company engagement on ESG issues has been an important part of our stewardship activities for many years. When coupled with active voting, and set within a clear escalation framework, it can be a powerful force for change. In addition, open dialogue and close interaction with a company can lead to improvements in corporate performance and better client outcomes.

While we reserve the right to respond as we deem appropriate depending on the circumstances, our general approach to new and ongoing engagement is outlined below:

Informal dialogue	Formal correspondence	AGM voting	Meetings with management	AGM questions	AGM questions and resolutions	Potential divestment

Our engagement process with an investee company can take several forms, including regular and ad hoc face-to-face meetings with management and formal written correspondence. Engagement may cover a wide range of topics, such as environmental issues (including climate change), social issues (including diversity) and governance issues (including leadership and remuneration).

We follow a pragmatic and focused approach that maximises the effect of our engagements and delivers on our responsibilities to our clients. The following principles serve as a guide to selecting issues that we believe deserve more active dialogue (definitions provided in our engagement policy):

- exposure
- severity
- location
- expertise.

Above all, it is our belief that engagement must have consequences to be effective. We are prepared to reduce our holdings in companies that continue to present a material and poorly managed ESG risk over time. Please read our separate engagement policy for more information around this responsible investment principle.

PRI engagements

We have been members of the PRI (Principles for Responsible Investment) since 2009 and access to the PRI's collaboration platform is a key benefit of continued membership. Through this portal, we are able to network with over 2,000 other responsible investment firms across the globe on ESG engagement projects.

To ensure we make the most of this opportunity, the PRI engagement group meets on a monthly basis and currently has 11 members, each of whom are investment professionals with expertise in ESG topics.

The group also includes representatives from Rathbone Greenbank and Rathbone Unit Trust Management (RUTM), to ensure good coordination on engagement efforts. They discuss potential new engagements with a view to gaining investor support on how best to integrate learnings from the PRI into the wider business, in line with the priorities set in our responsible investment policy.

In 2020 we played a major role in the following PRI-coordinated engagements:

Letter to top mining companies on indigenous community rights and social licence

We joined this engagement after Rio Tinto caused the destruction of two ancient cultural heritage sites. The investor coalition wrote letters to 71 international mining companies on the actions that mining companies are taking to protect indigenous community rights and how they obtain and maintain their social licence to operate with these communities. This engagement will lead to improved transparency that will help investors better understand how companies are overcoming these risks and provide visibility of the governance arrangements they have in place.

FAIRR Initiative's Investor Action on Anti-Microbial Resistance (AMR)

Infections that are resistant to antibiotics are estimated to cause 700,000 deaths a year. That number is expected to rise to 10 million a year by 2050 if the current trend of growth in resistance continues, potentially resulting in US$100 trillion in global economic losses. We therefore decided to join a new coalition coordinated by FAIRR as part of the Investor Action on AMR initiative.

By joining the coalition, we have begun to integrate an AMR lens into our investment decision-making and engagement processes with pharmaceutical portfolio companies. Our objective is to help combat the growing threat of drug-resistant superbugs in humans, animals and the environment.

Votes Against Slavery (VAS) initiative

Modern slavery has long been a key engagement area for Rathbones. In 2020, we led a 20-strong investor coalition with £3.2 trillion in assets under management to engage with FTSE 350 companies that failed to meet the section 54 reporting requirements of the Modern Slavery Act 2015. We decided to abstain from voting on the financial statements and statutory reports of FTSE 350 companies that were deemed to be breaching the letter and spirit of section 54. With the help of the Business and Human Rights Resource Centre, we identified 22 target companies that we deemed to be non-compliant. By the end of the year, 20 of the 22 companies became compliant. This initiative was shortlisted for Stewardship Project of the Year at the PRI Awards 2020.

Find It, Fix It, Prevent It

Rathbones signed up to a new initiative in June 2020 calling on businesses in the hospitality sector to find victims of slavery within their supply chains and support their rehabilitation. We want companies in this sector to develop better policies, processes and procedures for tackling this issue. This sector has been badly affected by COVID-19, so we took a more lenient approach with this particular engagement. We acknowledged that it would take companies longer to respond, so this effort has rolled into 2021. Rathbones is the lead investor for the engagement with one company and plays a role as supporting investor for the engagement with another company in this sector.

Investors, migrant labour, modern slavery and COVID-19

The International Labour Organisation estimates that debt bondage, where a person is forced to work to pay off debt, is a factor in more than half of the 25 million cases of forced labour worldwide. The payment of recruitment fees and costs is a significant indicator of forced labour and workers who pay for a job abroad often do so by taking out high-interest rate loans or by selling assets. Such actions can leave these people in a position of debt bondage. We joined an engagement organised by CCLA Investment Management to encourage international companies operating in the

United Arab Emirates to assist with the identification and then the provision of a remedy (particularly the reimbursement of recruitment fees and costs) to migrant labourers who lost their jobs due to the pandemic. Many of the promised and existing jobs have been revoked and the large numbers of workers who have already travelled to the UAE are being returned to their home countries, leaving many with significant levels of debt that will be impossible to repay. This may to lead to increased levels of suicide or other forms of social harm and have an adverse impact on public services at a time when they are already stretched.

Responsible sourcing of cobalt
Throughout 2020 we were involved in a collaborative effort that focused on engaging with companies from a number of industries, such as the technology, telecommunications and automotive sectors, on the responsible sourcing of cobalt in line with OECD Due Diligence Guidance. We were co-leaders of the engagement with Johnson Matthey and Microsoft. These companies have supply chains operating in the Democratic Republic of the Congo (DRC), which is home to more than 60% of the world's cobalt resource. Companies with cobalt supply chains in the DRC face a plethora of ESG risks, from child labour to community displacement. This engagement focused on engaging companies on their responsible sourcing practices around cobalt, paying particular attention to the key trends in cobalt due diligence and risk management. The aim was to encourage these companies to improve their operations in line with internationally recognised best practice. This engagement concluded in early 2021.

Engagement on climate change

Climate change resulting from unrestricted growth in greenhouse gas emissions is a threat to global security, the health and wellbeing of populations, and a source of investment risk. We consider engagement with companies on climate-related issues to be very high on our list of priorities.

Given the scale of the problem, and the necessity for solutions to be global in scope, there are limits to what one party can achieve individually. Collaborative engagement with other financial institutions, investment associations and regulators is vital.

In the past year we have undertaken ad hoc engagements with companies on climate-related issues and have supported more climate-themed resolutions than ever before. We have also been part of two long-running major industry collaborations on the topic. Under such arrangements, members take responsibility for a subset of companies while entrusting other sectors to other members. Here we explain the scope of these collaborations and highlight notable achievements in 2020.

IIGCC

Rathbones has been associated with the Institutional Investors Group on Climate Change (IIGCC)[1] for many years, firstly through Rathbone Greenbank who were the original member, but lately on behalf of the entire group.

The IIGCC is a paid membership organisation representing more than 275 organisations from 16 countries with over €35 trillion in assets under management. It comprises both asset owners and asset managers. IIGCC's work covers all aspects of the investor agenda on climate change through several programmes:

- policy programme: helping shape sustainable finance and climate policy, and regulation for key sectors of the economy
- corporate programme: focused on listed equity and corporate bonds, supporting members in effective stewardship and active ownership of investments
- investor practices: helping members and the broader investment sector better integrate climate risks and opportunities into their investment processes and decision making
- Paris Aligned Investment Initiative: exploring how investors can align their portfolios to the goals of the Paris Agreement.

The corporate programme is perhaps the most significant for this report as it covers member engagement with companies in sectors with high greenhouse gas emissions, based on agreed central principles. Rathbones and other IIGCC members are pushing European companies to adopt business strategies that are compliant with the goals of the Paris Agreement, the international treaty designed to set global society on a trajectory to limit global warming to 'well below' 2 degrees Celsius.

Rathbones is an active member of the corporate programme and serves on an important sub-group working on shaping investor-led shareholder resolutions at target companies. We also lead on some high-profile companies in the energy and utility sectors.

[1]Our members – IIGCC

The IIGCC and Climate Action 100+ (CA100+)

If the worst effects of climate change are to be averted, it will take coordination at an international level. CA100+ was established in 2016 for this purpose. This is a five-year initiative led by investors to engage with more than 167 companies across the global economy that have significant opportunities to drive the clean energy transition and help achieve the goals of the Paris Agreement. To date, 545 investors – including 93 IIGCC members – with more than US$52 trillion in assets under management, have signed on to the initiative.

CA100+ is a voluntary initiative that brings together and builds on a number of pre-existing, investor-led engagement initiatives, including the IIGCC, which had been operating in different regions of the world. In signing up to CA100+, investors commit to engaging with at least one of 167 focus companies that are strategically important to the net-zero[2] emissions transition, and seeking commitments on the initiative's key asks:

- implement a strong governance framework on climate change
- take action to reduce greenhouse gas emissions across the value chain
- provide enhanced corporate disclosure.

Through our involvement in the IIGCC and CA100+, we are having a global impact on a large scale. The 167 companies in scope account for more than 80% of global industrial greenhouse gas emissions. At the end of 2020, our collaboration with the IIGCC and CA100+ achieved the outcomes listed on the next page. (Note: this is illustrative of CA100+ members' engagements, and does not represent Rathbones' holdings).

[2] Net zero refers to achieving a balance between the amount of greenhouse gas emissions produced and the amount removed from the atmosphere. There are two different routes to achieving net zero, which work in tandem: reducing existing emissions and actively removing greenhouse gases. **Source:** UK net zero target | The Institute for Government

Industry-leading public commitments resulting from engagement

Royal Dutch Shell
One of the world's oil and gas supermajors, released a joint statement committing to a range of industry-leading climate commitments, including emissions reduction targets that include scope 3 emissions.

Glencore
The world's largest exporter of thermal coal, agreed to cap coal production to current levels of about 145 million tonnes per year.

Xcel Energy
A major US electric utility, has set out an intention to reach zero carbon electricity by 2050.

Maersk
The world's biggest shipping company, committed to net zero emissions by 2050.

Rio Tinto
Has exited from mining coal, published a TCFD report and committed to an asset by asset review to set emissions reduction targets.

Nestlé
Committed to net zero emissions by 2050, including scope 3 emissions.

PPT Public Company Limited (Thailand)
Has released a TCFD-aligned report, indicating the company's intent to align its strategy with the goals of the Paris Agreement.

Volkswagen
Committed to become 'climate neutral' by 2050 and launch nearly 70 electric vehicle models by 2028.

AES Corporation
Has conducted scenario analysis against three transition pathways, and committed to a 70% reduction in carbon intensity by 2030.

Duke Electric Corporation
Announced an update to its carbon transition plan, with a 50% reduction in GHG emissions by 2030 and net zero emissions generation by 2050.

PetroChina
Developed a climate change strategy and signalled the company's intention to align its climate policy to the goals of the Paris Agreement.

HeidelbergCement
Committed to achieve net zero emissions by 2050.

Engagement themes for 2021

We have chosen the following four projects as priority engagements for 2021.

They broadly cover distinct environmental, social and governance issues, although we note that the divisions between categories are not fixed.

Environmental priority engagement

IIGCC membership, leading work on 'Say on Climate'
Through the IIGCC, we play a role in the Climate Action 100+ initiative, a global investor alliance seeking to ensure compliance with the goals of the Paris agreement by the world's biggest greenhouse gas-emitting companies. We have historically led engagements with target companies through this group. In 2021, we will be leading a new project that explores bringing the concept of a 'say on climate' to European companies heavily affected by the low-carbon energy transition.

Just as investors have an annual vote on pay at companies, we are looking to pilot an annual say on climate, whereby investors will have an opportunity to vote on the suitability of a company's plans for the energy transition. This has the potential to shape company performance in the next decade and be a major new source of impetus for the corporate sector in the run up to COP26 in Glasgow.

Target: Deliver landmark 'Say on Climate' resolution at one UK company and one European company.

Social priority engagement

Votes Against Slavery
Modern slavery is a pervasive risk to society and supply chains. An estimated 40.3 million people globally are held in modern slavery, including 24.9 million in forced labour and 15.4 million in forced marriages. This means there are 5.4 victims of modern slavery for every 1,000 people in the world.

Businesses have a huge role to play in eradicating modern slavery, and the UK's landmark 2015 Modern Slavery Act sought to bring the business community into the fight. In a landmark piece of legislation, section 54 (s54) of the Act created a duty for all companies of a certain size operating in the UK to investigate and report on modern slavery in their supply chains. However, despite good intentions, the s54 reporting regime was left lacking in specific enforcement powers. Upon reviewing the implementation of the Act in early 2020, it was clear that compliance was patchy and lacking in depth.

In this vacuum of enforcement, investors have a crucial role in advancing protection for fundamental human rights. In 2020, Rathbones convened an investor collaboration with £3.2 trillion in assets under management to challenge FTSE 350 companies that failed to meet the reporting requirements under the Act. We expect constituents of the FTSE 350 to lead in this area, taking substantive action against the prevalence of slavery in their supply chains. FTSE 350 companies can have what is known as a multiplier effect, as their actions can incentivise compliance further down their supply chains.

In 2021 the project will continue with a new list of target companies that are considered to be falling short of standards and not adopting best practice.

Target: Engagement with all identified laggards and see compliance at 75% of targeted companies.

Governance priority engagements

Pay and the pandemic

No aspect of society was left untouched by the COVID-19 pandemic. Governments provided significant amounts of financial support to help businesses survive the worst of the lockdowns in the UK and elsewhere. We therefore consider it inappropriate for companies that have taken advantage of these government subsidies to make substantial variable pay awards for 2020.

Our bespoke voting policy will trigger a vote against management where annual bonuses are paid to senior executives if the company received taxpayer assistance. We will also call on remuneration committees to use their discretion when awarding bonuses where financial support was not drawn on, but where significant redundancies and lay-offs were made.

Target: Engage with all companies contravening our voting policy and seek commitments to revise remuneration policies.

Gender diversity on boards

The Hampton Alexander Review, a government-supported initiative, was launched in 2016 calling for FTSE 350 boards to set a minimum target of 33% female representation. While on average the FTSE 350 has reached this target, it is concerning that 41% of FTSE 350 companies are still falling short on an individual basis. The UK government called for the entire FTSE 350 to meet this target by the end of 2020, although this is now more likely to be achieved in 2021. We believe it is important for companies to aim for broad representation at a board level given that research suggests diverse boards perform better and could bring about different experiences and decision making. When a board of directors is diverse in its makeup, it can be vital to an organisation's success.

We have updated our bespoke voting policy to vote against the re-election of the nominations committee chair where a company falls short of the 33% target and does not explain when the company will meet it.

Target: Engagement with all identified laggards and see compliance at 75% of targeted companies.

Transparency

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

Transparency is essential when working to integrate ESG factors into our processes, and as we build on the support currently offered to clients to ensure they have more information to enable their decision-making. Regular communication with our stakeholders covered a variety of themes, from regular client updates on their portfolio performance, to awareness sessions looking at specific issues facing our clients. We continue to benchmark our performance against industry peers on responsible investment through involvement in the PRI annual reporting cycle and our results for 2020 can be found below. Our full PRI submission is available on request. Our annual and interim responsible investment reports, as well as our responsible investment thought leadership reports, are all available on our website.

Summary scorecard

AUM	Module name	Your score	Median score
	01. Strategy and governance	A+	A
Direct and active ownership modules			
>50%	10. Listed equity – incorporation	B	A
>50%	11. Listed equity – active ownership	A	B
<10%	12. Fixed income – sovereign, supranational and agency	Not reported	
<10%	13. Fixed income – corporate financial	C	B
<10%	14. Fixed income – corporate non-financial	C	B

A summary of our performance in key areas versus the median for our peer group.

For more information, please email stewardship@rathbones.com

Case studies

Environmental:

Procter & Gamble Company:
Issue: Preventing deforestation will be key to mitigating the risks of global warming, as rainforests act as a vital carbon sink. Companies found to be contributing to deforestation face substantial competition and reputational risks, both of which could harm long-term shareholder value. A number of the company's tier 1 palm oil suppliers have links to illegal deforestation and have failed to meet internationally recognised deforestation standards. According to WWF's Palm Oil Buyers Scorecard, the company is not 100% covered by the Roundtable on Sustainable Palm Oil (RSPO) for sourcing certified sustainable palm oil.

Process: We decided to support the ESG shareholder resolution calling for better visibility of the company's efforts to eliminate deforestation from its entire supply chain. We would argue that such a step is necessary given that the company uses both palm oil and forest pulp, both of which are recognised as large contributors to deforestation.

Outcome: The resolution passed with a majority in excess of 66.5%. This resolution gained one of the highest levels of support for an ESG shareholder resolution last year. The company will now be expected to issue a report assessing if and how it can increase the scale, pace, and rigour of its efforts to eliminate deforestation and the degradation of intact forests in its supply chains. In the US, any shareholder resolution that gains support of more than 50% is passed, although these resolutions are not binding and the company does not have to implement any changes if it does not wish to do so. That said, the board will struggle to ignore such high levels of shareholder support given changing attitudes towards climate change.

Royal Dutch Shell:

Issue: At the company's AGM, a number of the Royal Dutch Shell's shareholders put forward a resolution requesting that it set and publish targets that are aligned with the Paris Agreement's global temperature targets. These targets need to cover the greenhouse gas emissions of the company's operations and the use of its energy products (scope 1, 2 and 3); to be short-, medium- and long-term; and to be reviewed regularly in accordance with best available science. Our external proxy advisers recommended that we support the resolution.

Process: Ahead of the AGM, the IIGCC — of which Rathbones is a member — had a number of fruitful discussions with the company's senior management team. It was felt that the company had made significant progress in this area and such a resolution would be particularly restrictive. In particular, the company made a commitment to achieve net zero emissions for scope 1 and 2 and 3 by 2050 or sooner. We believe that this pledge by the board could have a profound effect on the way other companies within the oil and gas sector view their own commitments to addressing climate change and safeguard the future of their businesses. Following these meetings, the voting committee discussed the resolution with Greenbank, our ethical and sustainable investment specialist team at Rathbones and felt we should vote against the resolution on account of the commitment made by the company. A number of the company's larger shareholders also took this position.

Outcome: The shareholder resolution gained just 13.8% support. Although we voted against the resolution, we asked the board to continue to clearly disclose to investors the interim steps it has taken to meet these commitments and to further link executive pay practices to the delivery of these long-term ambitions. The IIGCC said that it agreed with Shell that it is essential that the Transition Pathway Initiative (TPI) can assess their new commitments.

Social:

Johnson & Johnson:

Issue: Johnson & Johnson's ongoing sale of opioids presents considerable legal and reputational risks. In 2019, the company was ordered to pay US$572 million for playing down the dangers of opioids and engaging in false marketing. In addition, it offered to pay US$5 billion by 2020 to settle multi-jurisdictional lawsuits alleging that it contributed to the opioid crisis. According to a report by the Centre for Disease Control (CDC), opioid abuse caused an average of more than 130 overdose deaths per day as of 2017.

Process: We decided to support a shareholder resolution calling for the board to report on the corporate governance measures Johnson & Johnson has implemented since 2012 to effectively monitor and manage financial and reputational risks related to the opioid crisis given its sale of opioid medications. The resolution also called on the board to report on whether increased centralisation of Johnson & Johnson's corporate functions provides stronger oversight of such risks and changes in how the board oversees opioid-related matters, how incentive compensation for senior executives is determined, and how the board obtains input regarding opioids from stakeholders. Given the potential legal and reputational risks facing the company, we believe it is imperative that the board improves disclosure on the steps it is taking to ensure compliance with the law and on how it is aligning executive remuneration with these issues.

Outcome: The resolution passed with 56.7% support. As a result, the board will be expected to create a report on governance measures that the company has implemented since 2012 to manage risks related to the opioid crisis. This was one of the few ESG shareholder resolutions in the US to receive over 50% support. The shareholder resolution calling for an independent board chair received 41.6% support. This is an increasingly popular governance-related shareholder resolution at US companies and, on this occasion, it achieved one of the highest levels of support for this type of resolution. We believe this shows that shareholders are particularly concerned about the current arrangements at the company and feel the separation of roles between the CEO and board chair will contribute to better long-term risk management.

Boohoo:

Issue: In 2020, news emerged of alleged poor labour conditions within Boohoo's supply chain in Leicester. One of the company's suppliers, Jaswal Fashions, was reported to have been paying staff less than £3.50 per hour as they worked in dangerous conditions during the ongoing pandemic. Boohoo's reputation was severely damaged and its share price fell by 43%. This is especially alarming given that Boohoo's modern slavery statement speaks of a "zero tolerance approach" and that "appropriate safeguards" are in place to protect workers' health and safety. Further, it says "the supplier acknowledgment process requires that suppliers accept their obligations relating to modern slavery." We asked what process was put in place to ensure that Jaswal Fashions was meeting this policy requirement.

Process: Boohoo is not on our active voting list due to the small size of our holding. However, we felt we needed to engage with the company following this incident. We decided to write to the board chair by outlining our concerns with the pervasive risks to society and to our position as shareholders in the company. We asked the board chair to comment on how the incident was able to take place and how the company will be changing its approach in light of the discovery. A number of the company's shareholders called for the company to cut ties with the supplier involved in this illegal activity. We took a different view, arguing that such a step could enable the supplier to continue operating and potentially carry out further human rights violations elsewhere. We suggested that Boohoo could instead retain the supplier and provide rehabilitation that would serve as an opportunity to lead the retail sector in its approach to opposing all forms of modern slavery.

Outcome: After the news emerged, a number of our fund managers chose to sell their holdings in the company. The chief financial officer (CFO) responded to our letter and acknowledged that simply cutting ties with suppliers is not enough and that the company is committed to solving these issues with a more holistic approach. The company carried out an independent review of all of its suppliers, led by Alison Levitt QC with board representation from the deputy board chair and senior independent director. The review found unacceptable failings in the company's supply chain. As a result, the company has introduced new policies that will include a complete audit of its supply chain, increased management oversight, a new set of purchasing principles for buying teams, consolidating the supplier base in Leicester, and establishing a model manufacturing facility there to demonstrate best practice. Overall, this has been a valuable reminder of the critical importance of ESG and proper governance, and of the fact that external ESG scoring services can sometimes miss critical risks.

Home Depot:

Issue: Diversity is a key governance concern in the companies in which we invest given there is evidence that more diverse boards can lead to outperformance. Companies that fail to improve reporting on their diversity practices could face significant reputational and operational risks. In addition to this, improved diversity representation and practices could lead to an improved culture and increase the company's capacity for long-term value creation. While Home Depot has made significant steps to improve its diversity disclosure, it fails to produce equal opportunity disclosures for its shareholders even though it files this information with the Equal Employment Opportunity Commission.

Process: We supported the shareholder resolution calling on the board to report on its diversity policies. The resolution, if approved, would require the board to create a chart identifying employees according to their gender and race in the nine major equal employment-defined job categories for the past three years. The board would also be required to list the numbers or percentages in each category, provide a summary description of any affirmative action policies and programmes to improve performance, including job categories where women and minorities are underutilised, and produce a description of policies and programmes oriented towards increasing diversity in the workplace. We felt the production of a diversity report would improve disclosure around the company's current diversity policies and practices, and provide shareholders with greater transparency regarding its efforts in this area beyond that which is already available.

Outcome: The resolution failed to pass, but gained 35% support from shareholders. This is an encouraging level of support for a social shareholder resolution and therefore we expect this resolution to be raised at the 2021 AGM. Two other governance-related shareholder resolutions were put forward, gaining 26.1% and 32.6% support.

Governance:

Ferguson:
Issue: Due to the COVID-19 pandemic, Ferguson was forced to make 2,100 redundancies and close 94 branches. Despite these redundancies, senior management received bonus payments ranging between 62% and 71% of their maximum levels. It is understandable that companies are having to implement cost-cutting mechanisms as a result of the ongoing pandemic. Nevertheless, we find it deeply concerning that no discretion was used to lower the annual bonus pay-outs for senior management given that the company had to make deep cuts. Ferguson needs to balance its duties to all stakeholders taking into consideration its social licence to operate which includes an adequate consideration of impacts on employees as well as shareholders. There is a risk that this could exacerbate tensions between staff and senior management, and potentially undermine morale and have a detrimental effect on the operational culture.

Process: This issue was heavily debated by the fund managers at Rathbones. Some of the fund managers felt that the company had done enough to warrant support and the senior management needed to be properly remunerated for navigating the business through the pandemic. We discussed this at length on the voting committee and agreed that the company's performance had been strong; however, we still felt senior management remuneration should have been reduced as a result of the redundancies. We therefore voted against the remuneration report at the AGM.

Outcome: Ferguson's remuneration report received a 21.85% vote against. The company has been added to the Investment Association Public Register which tracks shareholder dissent at listed companies. We have updated our bespoke voting policy to trigger a 'refer' (where our internal committee is required to discuss this issue) when remuneration committees have failed to use discretion in the awarding of bonuses when significant redundancies and lay-offs have been made. We foresee this being a common issue in 2021 and have included this as one of our key engagement areas in our 2021 engagement action plan.

Tesco:

Issue: At its 2020 AGM, Tesco's remuneration committee decided to adjust the total shareholder return (TSR) comparator group under its 2018 financial year performance share plan awards, which vested in 2021. The remuneration committee removed Ocado from their peer group, making it appear as though Tesco had outperformed its competitors by a 3.3% premium to the index, rather than underperforming by 4.2% if Ocado had remained in place. This adjustment caused a considerable uplift to the level of awards paid out to the departing CEO and the CFO, increasing both awards by 15.4%. The amendment of in-flight performance conditions is generally considered to be poor practice in the UK and changes to TSR comparator groups should only be done to take account for M&A activity. The board claims that the change was to account for Ocado's move away from a retail-focused business towards a technology-focused business during the performance period.

Process: Having discussed this issue on the voting committee and with the fund managers with the largest holdings, we decided to vote against the remuneration report and raise our concerns with the board chair. We felt that, while Ocado has indeed diversified, retail is still the main driver for the company. The board knew about Ocado's business plan at the time the 2018 performance share plan was set and therefore this should not have come as a surprise to them. Further, removing Ocado appeared to be of considerable benefit to the executive directors given Ocado's exceptional performance during the 2018 calendar year, to which this pay-out in question relates. As this adjustment has substantially increased the pay-outs to the executive directors, we feel the board has deviated from best practice and placed the company at risk of severe reputational damage in a time of great economic uncertainty for many of its customers.

Outcome: The remuneration report received a vote of 67.29% against. This was the second-largest vote against pay during the UK AGM season. As the vote on the remuneration report is advisory, the resolution passed despite receiving more than 50% opposition. However, the company has been placed on the Investment Association Public Register. Tesco is at risk of reputational damage should it fail to consider shareholder concerns and the remuneration committee will engage with investors and listen to feedback before putting its binding remuneration policy to a vote at its 2021 AGM.

Standard Life Aberdeen:
Issue: The ongoing COVID-19 pandemic has led to many companies attempting to change their bylaws to allow AGMs to be held virtually, rather than in person. Many investors are concerned that virtual AGMs are risky because they can lead to less meaningful engagement. It is believed these virtual meetings allow senior management to become complacent and dodge difficult questions because shareholders are unable to attend and instead have to submit questions in advance of the meeting. At its AGM, Standard Life Aberdeen's board put forward a resolution requesting that shareholders adopt the new articles of association. If approved, the company would be able to hold virtual-only shareholder meetings.

Process: The proposed arrangements at board level were sufficiently controversial to trigger significant debate among our fund managers, some of whom declined to follow our central recommendation of opposing the resolution and wished to support management instead. As a result, we issued a split vote on the resolution.

Outcome: The resolution failed to pass, receiving only a 37.36% vote against. As this was a special resolution, it needed 75% shareholder support to pass. After speaking to the company, it assured us that the changes to the articles it is proposing allow for the option of shareholders to participate remotely at its meetings, creating a 'hybrid' meeting. This is not currently possible under the existing articles, as shareholders have to be present in the room in order to participate in the meeting. The company believes that this change provides additional optionality in the way it runs its meetings and enables it to engage more effectively with its large retail shareholder base. While the changes would also allow for the possibility of a fully virtual meeting, the company currently has no intention of moving to this. Following this discussion with the company, we decided to change our vote and support management. We saw similar resolutions proposed throughout 2020, all of which gained high levels of shareholder opposition.

Glossary

Term	Definition
Active ownership	The use of the rights and position of ownership to influence the activities or behaviour of investee companies.
AMR	Antimicrobial resistance is when bacteria, viruses, fungi and parasites change over time and no longer respond to medicines making infections harder to treat and increasing the risk of disease spread, severe illness and death.
Ballot	The digital or physical document through which voting intentions are shared with the investee company in proxy voting.
Climate change	A change in climate which is attributed directly or indirectly to human activity that alters the composition of the globwal atmosphere and which is in addition to natural climate variability observed over comparable periods of time. (UNFCCC, 1992).
ClimateAction 100+	A global investor coalition engaging with the world's biggest greenhouse gas emitters, encouraging action on climate change.
Comply or explain	A core principle of UK Corporate Governance whereby companies must either meet best practice guidance or provide a detailed explanation of why it doesn not apply to their situation. It enables a high level of policy aspiration while allowing room for manouevre in practice.
Corporate governance	Corporate governance is the system of rules, practices and processes by which a company is directed and controlled (The Chartered Governance Institute.)
Engagement	The process of working with organisations, industry bodies or policymakers to address issues of concern and bring about positive change. It encompasses many approaches, for example: meetings with senior management; public statements; collaboration with other investors; and tabling or voting on resolutions at company AGMs.
ESG	Environmental, governance and social. Alongside financial analysis, these principle categories form the basis of responsible investment approaches.
Gender equality	The act of treating men and women equally in the workplace.
Greenhouse gases	Any gas that has the property of absorbing infrared radiation (net heat energy) emitted from Earth's surface and reradiating it back to Earth's surface, thus contributing to the greenhouse effect (https://www.britannica.com/science/greenhouse-gas). For our purposes, we focus mainly on carbon dioxide and methane.
Greenwashing	The process by which companies or brands seek to appear more aligned with sustainability goals than in reality. CFCs have been outlawed due to their harmful effects on the ozone. A product claiming to be 'CFC Free' is greenwashing.
IIGCC	The Institutional Investors Group on Climate Change is a membership body of investment managers coordinating European efforts on climate engagement.
Materiality	Both the idea that ESG factors can directy affect the valuation of a company, and the notion that only certain aspects of ESG performance might be directly relevant to a company.

Term	Definition
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.
NED	Non-executive director. A member of a board not involved in a day-to-day management role at the company in question.
PRI	The Principles for Responsible Investment is a global initiative committed to advancing responsible investment through its six aspirational principles.
Proxy voting	The process of voting on resolutions at company meetings by asset managers on behalf of the underlying investor. Rathbones casts all its votes through such proxy voting except in extreme circumstances which require physical attendance and voting.
Resolution	An item of business at a meeting of shareholders. These are usually proposed by the company, according to local regulatory requirements.
SASB	The Sustainabiltiy Accounting Standards Board is a group aiming to promote consistency in the disclosure of ESG metrics by companies.
Shareholder resolution	An item of business at a meeting of shareholders proposed by a sub-set of those shareholders, having met local requirements relating to size of holding and number.
SID	Senior independent director. On large boards, a SID is often appointed from among the NEDs as an alternative point of contact for shareholders.
Social licence	The idea that companies require a wider set of permissions from society than purely legal approvals. Most definitions refer to the ongoing acceptance and approval of a development within a community, for example a chemicals plant or mining operation.
Stewardship	The responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.
Stewardship code	A set of voluntary and aspirational standards set by UK policy makers regarding the active ownership and stewardship behaviours of investors and service providers in the investment management industry.
Supply chain	The network of contracts and physical distribution assets required to deliver goods or services from producer to consumer.
Sustainability	A debated term. Most standard definitions state the need for human activity to be pursued in a way which maintains ecological balance. Other definitions suggest the pursuit of economic development in a way which meets a current generations' needs without compromising the ability of future generations to meet their own needs.
VAS	Votes Again Slavery is Rathbones' engagement project focusing on ending modern slavery.

About us

Rathbone Investment Management is one of the leading providers of high-quality personalised investment management services for private clients, charities and trustees.

Rathbone Investment Management is a subsidiary of Rathbones Brothers Plc, which provides investment management services, financial planning, offshore investment management, trust and tax services, ethical investment and banking services. Rathbone Brothers Plc is a FTSE 250 listed company employing over 1,500 people across 14 UK locations and Jersey. This report covers our voting and stewardship activities relating to Rathbone Investment Management, referred to as Rathbones, which reported £44.9 billion as of 31 December 2020.

Looking forward

We are committed to transparency in our proxy voting activities. You can read more about our approach to the management of governance risks in our public Principles for Responsible Investment reporting which can be found on the PRI website at unpri.org/signatories/rathbone-brothers-plc/1700.article

For more information, please email stewardship@rathbones.com

Important information

T3-ResCapIntRep-04-21

Rathbones
Look forward

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