

Rathbones Group Plc

# Responsible investment policy

June 2023



Rathbones



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## Introduction

Responsible investment (RI) is a key element of the approach taken by Rathbones Group Plc (Rathbones) to *responsible business*. We see 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. We also understand the benefits that society can reap from our ability to identify long-term, sustainable investment for our clients. This responsible investment policy (RI policy) provides the basis for how Rathbones will manage the assets held in its funds and portfolios in a manner consistent with our responsible business objectives and relevant laws and governance standards.

We define RI as the purposeful integration of environmental, social and corporate governance (ESG) considerations into investment management processes and ownership practices. We describe the underlying components of ESG with reference to issues relating to:

- the quality and functioning of the natural environment (environmental)
- the rights, well-being and interests of people and communities (social)
- corporate governance and corporate behaviour (governance).

Our approach to RI recognises clients' and society's increased interest in environmental and social issues and the need for companies to operate responsibly. We are committed to developing solutions that are right for clients and aligned to the development of core areas of interest.

Our approach is also informed by various market-led initiatives, which are establishing standards and best practice in this area, and by prevailing regulation. As regulatory obligations in this area evolve, we will continue to develop our approach.

## 1. Scope

The RI policy applies to Rathbones as a whole and includes all existing business segments, including Rathbones Investment Management (RIM), Rathbones Investment Management International (RIMI), and Rathbone Unit Trust Management (RUTM). The manner in which the RI policy is implemented, and relevant disclosures made, may differ across each business segment.

## 2. Our RI principles

### 2.1. ESG integration



We consider ESG factors in the evaluation of investments to help identify opportunities and risks.

We aim to integrate the consideration of ESG factors into our investment processes and decisions to help us identify long-term trends, risks and opportunities. We seek to incorporate relevant insights from a variety of internal and external sources, such as data on investee companies from third-party providers, standards set by regulatory authorities and industry bodies, and insights from our stewardship and financial analysts, including specialists working in our Greenbank Investments team. It is our aim to take a pragmatic and proportionate approach in our analysis, balancing qualitative and quantitative information to enable a well-rounded evaluation of ESG factors.

Rathbones' ESG integration approach is based on common foundations across the Group. ESG data, materiality analysis and stewardship information are made available to all investment professionals. The application of ESG integration is tailored to fit the relevant investment service or mandate and its parameters. This allows portfolio and fund managers to interpret ESG information to inform investment decisions in the context of the mandate or client objectives.

## 2.2. Engagement with consequences



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.

Through purpose-driven, meaningful and long-term engagement with the companies in which we invest, we aim to address and minimise systemic ESG risks, improve corporate performance and create the potential to add value to client outcomes. We also seek to engage with authorities and regulators on policy initiatives, new legislation and proposed sustainability regulation – individually and in collaboration with market forums.

In selecting the issues on which we will focus our stewardship resources, we are guided by our exposure to the issue, its severity, the company's jurisdiction and the level of expertise on the issue in our team. We assess the most appropriate method of engagement on a case-by-case basis to maximise the effect of our engagements.<sup>1</sup> We have established an escalation framework that enables us to calibrate our engagement activity over time and to address unabated and materially significant ESG risks when appropriate. If our best engagement efforts do not yield satisfactory change over a specified period of time in relation to investments presenting substantial ESG risk, we may reduce our holdings in an orderly manner.

## 2.3. Voting with purpose



We actively vote in a manner that allows us to focus our resources where we believe we can make the most difference. This may involve

voting against management to help drive positive change.

We seek to make full use of shareholder votes and ownership rights to influence companies to adopt long-term, sustainable practices and good

corporate governance with the aim of protecting our clients' returns. Our *voting policy*, which governs our activities, applies more rigorous standards than established best practice. We leverage external expertise where necessary, such as using a dedicated sustainability-themed voting service and an independent voting consultancy, which provides recommendations based on our voting policy. Our voting activities are reported on our website.

We may be unable to vote in cases where:

- we hold securities for clients on a non-discretionary basis where we cannot exercise voting rights on their behalf
- our holdings are very small<sup>2</sup>
- we are unable to secure the right 'power of attorney' to vote in certain markets.

Where holdings are excluded from our voting process, we will provide our rationale.

## 2.4. Transparency



We are committed to being transparent about our approach to responsible investment. We will actively report on the progress of our

responsible investment activities to our clients, shareholders and other stakeholders.

We aim to provide clear and ongoing communication about our responsible investment approach. We achieve this transparency through regular disclosures to the market initiatives to which we are signatories, in addition to our reporting obligations under UK and EU regulation. We *publish* annual reports specifically to detail our progress in relation to RI and will continue to evolve our reporting in line with regulatory developments.

We will seek transparency on ESG issues from our underlying investee companies, including probing their supply chain, progress towards net zero and ESG-related data disclosures. We may do this through our stewardship activities or via the regular meetings and interaction our financial analysts have with management.

<sup>1</sup> Further details on our approach can be found in our engagement policy.

<sup>2</sup> We prioritise engagement in companies where we hold a material stake in the company, defined as in excess of 2.5% of the company's share capital.

### 3. Application across asset classes

Our ambition is to apply the RI principles set out in this policy across all major asset classes (including equities, fixed income and collectives). We will take a best-efforts approach to investments where there are practical limitations to applying the policy - including, for example, owing to a lack of data availability.

We tailor our approach to applying our RI principles to each asset class in a reasonable and proportionate manner, taking into account the data available for, and the inherent characteristics of, each asset class. We will continue to evolve our approach as disclosure requirements and data availability develop.

### 4. Exclusions

We may, from time to time, conclude that certain sectors, activities or companies do not align with our approach to responsible investment and categorise such investments as excluded investments.

Excluded investments will be restricted for inclusion as a potential investment in Rathbones-managed client portfolios and funds.<sup>3</sup> Where we already hold excluded investments, we have established a governance process through which subsequent actions - including engagement and/or, in due course, divestment - will be determined. If an excluded company's ESG profile improves to a sufficient standard, we will consider de-scoping it as an exclusion.

### 5. Training

Since RI is a key element of our approach to responsible business, all Rathbones employees are expected to understand the four RI principles. We will provide regular training and updates to ensure that they have the level of responsible investment knowledge required for their role.

### 6. Accountability and oversight

#### 6.1. Conflicts of interest

We have policies in place to manage conflicts of interest that may arise during the course of our responsible investment activities. Such policies include the Group conflicts of interest policy, a copy of which is available on request.

#### 6.2. Responsible investment governance

The overarching responsibility for our RI activities sits with the Rathbones Group board.

Within the governance structure supporting the board, we have established a responsible investment committee (RIC) to provide oversight and guidance for our approach to RI. The RIC undertakes an annual review of this policy. Any changes it proposes are subsequently approved by higher governance committees.

<sup>3</sup> Group exclusions differ from client-led exclusions, wherein individual clients may choose to exclude specific companies or sectors from their own portfolios based on individual ethical considerations.

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