Rathbone Unit Trust Management

Responsible investment policy

Rathbones
Look forward

Overview

We created this policy because we wanted to:

- Give our clients a clear understanding of the extent to which responsible or sustainable criteria are factored into the investment process of each of our funds
- Meet the current and likely future regulations around taxonomy and reporting requirements in the UK and other jurisdictions in which we operate
- Clarify our alignment to and application of the commitments made by Rathbones Group around responsible investment and in particular to the net zero initiative.

In essence, our funds can be divided into two categories:

- Responsibly invested funds without a sustainable mandate
  - Integrate environmental, social and governance (ESG) risk factors into investment decision making
  - Voting with purpose
  - Engagement with consequences
  - Transparency
- Sustainable investment funds[1]
  - All of the above, and additionally:
  - Follow "do no harm" exclusions
  - Implement "do good" clauses
  - Independent analysis and third-party veto of holdings.

Reporting requirements are evolving rapidly, with Sustainable Finance Disclosures Directive Regulation (SFDR), Task Force on Climate-related Financial Disclosures (TCFD) and voluntary codes we have signed up to such as the Science Based Targets initiative (SBTi) disclosures either in effect or coming shortly. We are committed to providing transparency for clients and regulators. Our progress will be reported through feeding into group reporting as well as direct reporting for Rathbone Unit Trust Management and individual funds.

1 See notes in the appendix.

Policy scope and governance

This policy defines how responsible investment is governed and managed within our range of funds and mandates.

1.1 Policy scope

1.1.1 This policy is binding and applies to Rathbone Unit Trust Management, a subsidiary of Rathbones Group Plc.

1.1.2 This policy covers both Rathbone Unit Trust Management's UK and Luxembourg fund ranges.

1.1.3 This policy further covers investment mandates where Rathbone Unit Trust Management is the investment manager.

1.2 Policy compliance

1.2.1 The policy is reviewed by the Rathbone Unit Trust Management Responsible Investment Committee, Rathbone Unit Trust Management Product Governance Committee, Rathbone Unit Trust Management Executive Committee, Group Responsible Business Committee and approved by the Rathbone Unit Trust Management Board of directors.

1.2.2 The policy will be reviewed annually or in response to a material event.

1.2.3 Breaches of this policy are considered a material event for the purpose of Product Governance and will be managed in line with Rathbone Unit Trust Management's Product Governance Policy. Breaches will be reported to the Product Governance Committee and the Rathbone Unit Trust Management Board of Directors.

1.2.4 The Chief Investment Officer (CIO) is responsible for maintaining this policy.

1.2.5 The Rathbone Unit Trust Management Board of Directors are responsible for ensuring this policy is fit for purpose.

1.2.6 The policy is aligned with Rathbones Group Plc policies.

Introduction and Rathbones Group strategy

Rathbone Unit Trust Management is a long-established UK asset manager. We actively manage a number of equity and bond investment products and two multi-asset portfolio ranges. We offer investment management for retail investors, intermediaries and segregated institutional accounts.

We are part of the Rathbones Group, one of the longest established financial services firms in the United Kingdom. The group has long recognised the importance of responsible investing, years ahead of peers, and through our specialist Rathbone Greenbank Investments team started offering ethical and sustainable portfolios in 1997.

The overall group purpose statement is as follows.

"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."

Rathbones Group Plc defines responsible investment as the purposeful integration of ESG considerations into our investment management processes and our ownership practices. We describe ESG in the following terms:

- environmental: issues relating to the quality and functioning of the natural environment
- social: issues relating to the rights, well-being and interests of people and communities
- governance: issues relating to corporate governance and corporate behaviour

Rathbones Group has been a signatory to the United Nations supported Principles of Responsible Investment since 2009, reporting in line with its requirements annually.

Rathbones Group is a signatory to the Net Zero Asset Management (NZAM) initiative. This supports our commitment to achieve net zero GHG emissions across our business and our investment holdings by 2050 or sooner. We are also committed to implementing a stewardship and engagement strategy on net zero with a clear voting and escalation policy.

Rathbones Group commitment to net zero across our business and our investment holdings, including investments managed by Rathbone Unit Trust Management

At Rathbones, we are taking several steps to increase our understanding of climate risks and opportunities to invest in solutions. Along with robust management of our direct operational risks, we believe it is in our clients' best interests for the companies in which we invest to adopt best practice in managing environmental, social and governance risks.

We recognise not only that our business and those businesses in which we invest are impacted by climate change, but also that the choices we make as stewards and investors could either exacerbate, or alleviate, the climate crisis.

Alongside our interim results in July 2021, we announced a group-wide commitment to becoming net zero by 2050 or sooner. In October, we shared our interim targets for the reduction of our scope 1, 2 and 3 emissions. These have been set in alignment with the Science Based Targets initiative (SBTi) as part of our efforts to reduce greenhouse gas emissions and limit global warming to 1.5°C above pre-industrial levels.

To achieve net zero, we will reduce our operational emissions, alongside those linked to suppliers and investments. Using 2020 as a baseline year, we are working to achieve a 42% reduction in operational and supply chain emissions by 2030. Meanwhile, we aim to have 57% of our underlying holdings committed to an SBTi aligned target – or committed to set one – by 2030. This is in line with group's objective of achieving 100% investment coverage by 2040.

Delivering on this would build on our 81% reduction in operational carbon intensity per full-time employee since 2013 (as at year-end 2021). As would completing the transition of our offices to fully renewable energy sources by the end of 2025. This will aid our group in meeting the 2025 internal target of a 21% reduction across our scope 1 and 2, and operational scope 3 emissions. Progress towards these targets will be tracked through our group's annual public reporting.

You can find out more on how Rathbones Group applies these principles here.

Rathbone Unit Trust Management overview

Core principles on responsible investment

We want to meet or exceed our clients' expectations:

- To help set those expectations we are committed to total transparency on our funds' financial objectives, risk tolerances and the extent to which non-financial factors such as ESG risk analysis and sustainability or impact goals are factored into decision making.
- Risk is central to all our investment decision making. Understanding ESG factors is one aspect of our risk analysis, and fully integrated into the investment process.
- We believe in active management and accept that with this approach comes responsibility. We strive to be good long-term owners of the businesses we invest in. We consider and actively vote in all resolutions put forward to shareholders. We will engage regularly, through direct contact, with management teams to press for change for the good of our investors.
- We take our role as good corporate citizens very seriously. We will lead or join other investors in driving broader change in the financial ecosystem through regulatory changes or thematic engagement projects. We will undertake these activities where we believe it will result in improved long-term returns for our clients.
- For clients who invest in our range of sustainable funds, we will be totally committed to this approach. We will strive for high levels of transparency and be totally open and clear on the types of investment we will and will not make in these funds. Independent analysis and third-party veto rights are key to maintaining our high standards.

Rathbone Unit Trust Management's approach to responsible investment

We manage a number of investment funds and mandates with a wide range of objectives and risk profiles. Each investment team creates their own bespoke investment process that gives the best opportunity to meet these objectives over the longer term. There is no prescriptive and over-riding house investment process that our managers must follow. Each team clearly articulates their investment process to prospective and existing clients, highlighting the degree to which responsible or sustainable criteria are factored into the decision-making process. This will vary depending on the nature of the fund. However, there are four core principles relating to responsible investment applicable to all the investment funds we manage.

ESG Integration

We consider environmental, social and governance (ESG) factors in the evaluation of investments.

Voting with purpose

We actively vote across all votable equity holdings in line with our responsible investment commitments. This involves voting against management to help drive positive change.

Engagement with consequences

We prioritise engagement where we can make a material difference in addressing the world's systemic environmental and social challenges. We will reduce our holdings or divest from companies who continue to present an ESG risk over time.

Transparency

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

Taxonomy of responsible investment

The **United Nations Principles for Responsible Investment (PRI)** describes sustainable finance taxonomy as a tool to help investors understand whether an economic activity is environmentally sustainable, and to navigate the transition to a low-carbon economy. Setting a common language between investors, issuers, project promoters and policy makers helps investors to assess whether investments are meeting robust environmental standards and are consistent with high-level policy commitments such as the Paris Agreement on Climate Change.

The **European Union** has issued its taxonomy regulations under which all funds or financial products are classified based on their approach to sustainable investing. This came into effect for all European-domiciled funds with effect from March 2021. All of our Luxemburg domiciled funds have been classified as either Article 6 or Article 8 funds. The European Commission issued definitions under its Sustainable Finance Development Regulations as to how funds were to be classified. This continues to evolve but in summary:

- Article 6 fund: A financial product where sustainability risks are integrated into investment decisions
- Article 8 fund: A financial product which promotes environment or social characteristics, or a combination of those characteristics.

In October 2021, the **UK government** released a report titled 'Greening Finance: Roadmap to Sustainable Investing' (the Roadmap), which encourages UK businesses and investors to have regard to climate and other environmental, social, and governance (ESG) considerations in their decision-making processes. The Roadmap follows the government's 2019 'Green Finance Strategy', which set out a suite of policies to assist in aligning UK financial flows with a low-carbon planet. Following on from this the UK regulator has issued proposals for the classification and labelling of financial products. These are currently under discussion with the industry. We, as members of the Investment Association (IA), are contributing to these ongoing discussions.

Having reviewed the various proposals currently under review, we believe the following classification best meets the likely direction of final legislation but also provides greater clarity to investors as to the level of ESG integration and sustainability analysis incorporated into the investment approach.

As we believe that no one size fits all, we provide investors with a range of responsible investments. In line with the Investment Association's proposals, we have defined this range into three categories of funds: ESG integrated funds, sustainable funds and impact investment funds. A fourth category, traditionally invested funds, refers to those funds which do not consider any ESG factors. Within this policy, we have categorised all our funds into one of the four categories. We have clearly defined the parameters of each of these categories to enable you, our investors, to align your personal values with your investment.

<table>
<tr><th rowspan="2">Sections</th><th rowspan="2">Not promoted as responsible or sustainable</th><th colspan="3">Responsible investing</th></tr>
<tr><th>ESG integrated</th><th>Sustainability focus</th><th>Impact</th></tr>
<tr><td>ESG risk management</td><td>May not include environmental, social and governance risk factors alongside financial factors in the investment decision-making process</td><td colspan="3">Includes material environmental, social and governance risk factors alongside financial factors in the investment decision-making process (ESG integration)</td></tr>
<tr><td>Stewardship activities</td><td>May not undertake stewardship activities on behalf of their investors</td><td colspan="3">Actively undertakes material stewardship activities such as voting and engagement on behalf of their investors

(voting with purpose and engagement with consequences)</td></tr>
<tr><td>Reporting</td><td>May not actively report on ESG risks and opportunities</td><td colspan="3">Actively reports in line with SFDR, TCFD and SBTi disclosures (transparency)

Bespoke detailed reporting on individual funds available on request</td></tr>
<tr><td>Exclusionary criteria</td><td>Does not include binding exclusionary clauses in the investment policy means the fund can invest in all sectors and businesses allowable within its mandate</td><td colspan="3">Includes company or entity level exclusions which prevent the fund from investing in certain sectors or businesses due to posing an unacceptably high environmental, social or governance risk

May include additional binding exclusionary 'do no harm' clauses in the fund's investment policy which means the fund cannot invest in certain sectors or businesses which pose an environmental, social and governance risk</td></tr>
<tr><td>Inclusionary criteria</td><td colspan="2">Does not include binding 'do good' clauses in the investment policy which means the fund can invest in all sectors and businesses allowable within its mandate</td><td colspan="2">Includes binding 'do good' clauses in the investment policy which means all the fund's investments must align to achieving at least one of the UN's Sustainable Development Goals (SDGs)</td></tr>
<tr><td>Measurable outcomes</td><td colspan="2">Does not include measurable environmental, social or governance objectives within the investment objective of the fund</td><td colspan="2">Includes measurable environmental, social or governance objectives within the investment objective of the fund for which the fund manager is held accountable for fulfilling</td></tr>
</table>

Rathbone Unit Trust Management open ended investment company (OEIC), unit trust and non-UCITS retail schemes (NURS) funds registered in the United Kingdom

Not promoted as sustainable	ESG integrated	Sustainability focus	Impact
Rathbone Unit Trust Management does not run any traditionally invested funds	Rathbone Multi-Asset Total Return Portfolio	Rathbone Ethical Bond Fund[1]	Rathbone Unit Trust Management does not run any thematic or impact investment funds
	Rathbone Multi-Asset Defensive Growth Portfolio	Rathbone Greenbank Global Sustainability Fund	Rathbone Greenbank Investments, a specialist business unit within our sister company Rathbone Investment Management Ltd. offers bespoke thematic and impact portfolio management to private clients. For more information please visit https://www.rathbonegreenbank.com/
	Rathbone Multi-Asset Strategic Growth Portfolio	Rathbone Greenbank Total Return Portfolio	
	Rathbone Multi-Asset Strategic Income Portfolio	Rathbone Greenbank Defensive Growth Portfolio	
	Rathbone Multi-Asset Dynamic Growth Portfolio	Rathbone Greenbank Strategic Growth Portfolio	
	Rathbone Multi-Asset Enhanced Growth Portfolio	Rathbone Greenbank Dynamic Growth Portfolio	
	Rathbone Global Opportunities Fund		
	Rathbone UK Opportunities Fund		
	Rathbone Income Fund		
	Rathbone High Quality Bond Fund		
	Rathbone Strategic Bond Fund		
	Rathbone Core Investment Fund for Charities		
	Rathbones Active Income and Growth Fund		

1 See notes in the appendix.

Rathbone SICAV funds registered in Luxembourg

Not promoted as Sustainable	**ESG integrated Article 6 fund**	**Sustainability focus Article 8 fund**	**Impact Article 9 fund**
Rathbone Unit Trust Management does not run any traditionally invested funds	Rathbone SICAV Multi-Asset Total Return Portfolio	Rathbone Ethical Bond Fund	Rathbone Unit Trust Management does not run any thematic or impact SICAV funds
	Rathbone SICAV Multi-Asset Strategic Growth Portfolio		
	Rathbone SICAV Multi-Asset Enhanced Growth Portfolio		
	Rathbone SICAV High Quality Bond Fund		
	Rathbone SICAV Global Opportunities Fund		

Responsible investment guidelines

1. ESG integration

We understand that environmental, social and governance (ESG) factors can, like traditional financial factors, affect the financial performance of the companies and entities we choose to invest in. Therefore, we systematically and explicitly integrate material ESG factors into our investment process. This enables us to uncover any potential ESG risks or identify any potential ESG opportunities a company may have before deciding whether or not we believe those factors could be financially material to that particular company and therefore affect our investment decision. Crucially, we are not attempting to eliminate ESG risks completely or only invest in companies with strong ESG opportunities. Instead, we are trying to gain a more well-rounded and complete view of every company we look at in order to make more informed investment decisions and maximise risk-adjusted returns for our clients.

Rathbone Unit Trust Management does not have a centralised investment process, meaning that investment decisions are not made by centralised committees. Each fund manager has their own specific investment process which is appropriate to the investment policy and objectives of their fund. We believe that by giving our fund managers autonomy over their investment processes, they can better provide positive outcomes for investors.

We give our fund managers the tools they need to interrogate and manage risks when making investment decisions. We balance our fund managers' autonomy with robust oversight, actively monitoring the risk they take within our funds and regularly challenging them on the investment decisions they make.

To manage ESG risk, we provide our fund managers with in-depth specialist quantitative and qualitative ESG data and research which they use when evaluating new investments and monitoring existing ones.

ESG risk is monitored by Rathbone Unit Trust Management's Risk Committee. The investment risk director provides periodic reports to the committee, which analyses the exposure of investment portfolios to negative ESG factors. Where a significant risk is identified, the CIO is responsible for challenging the fund manager on their investment decision. ESG risk analysis is a key element of the regular CIO Challenges held with each investment team. This forms an integral part of our investment oversight. In the event the CIO or risk committee identifies a material risk, the CIO will work with the fund manager to mitigate the risk through active measures such as stewardship and engagement. If the risk is deemed to be unacceptable, the CIO and fund manager will agree a plan to dispose of the asset.

Our management of ESG risk aligns to our approach of managing quantitative and liquidity risk.

2. Voting with purpose

We actively vote across all our votable equity holdings in line with our responsible investment commitments. This may involve voting against management to help drive positive change. The Rathbone Unit Trust Management voting disclosures tool is available to enhance the public reporting of our voting activities on our website and in summary form in our annual report.

As proponents of responsible investment, we aim to lead by example, act with integrity and promote the desired culture within our investee companies. We believe it's in the best interests of our clients for the companies in which we invest to adopt best practice in corporate governance, and through our voting activities we will:

- be long-term stewards for a more sustainable world: mindful of our responsibilities to our clients, we seek to be good, long-term stewards of investments that we manage on their behalf, as expressed in our stewardship policy. Active, informed voting is a fundamental expression of investor stewardship
- protect returns: our major responsibility is to make full use of shareholder votes and ownership rights to influence companies to adopt longer-term, sustainable practices. We aim to ensure that company boards provide appropriate and independent oversight of management strategy and company activities
- ensure ESG integration across investments: we will also encourage companies to identify and manage ESG risks to protect long-term asset values, and as a result produce robust ESG disclosures.

For our investments, we use an external proxy voting consultant to provide ESG advice. We subscribe to their sustainability policy which provides an ESG overlay for our voting. Decisions are usually made according to market benchmark policies.

3. Engagement with consequences

Direct engagement
Our fund managers and analysts regularly meet with management teams of the companies we invest in. This gives us an opportunity to talk with businesses face-to-face about their corporate ESG strategies. It also gives us an opportunity to ask difficult questions directly to company decision makers. Where we have identified ESG risks within a business, we use these meetings to influence management's strategy to mitigate the identified risk.

Stewardship team
Our stewardship team is responsible for engaging with businesses on items aligned to our responsible investment strategy and coordinating our engagement across all Rathbones businesses. They are responsible, working with our fund managers, for our active ownership process process.

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.

There is two-way dialogue between the group stewardship team and Rathbone Unit Trust Management to discuss priorities and potential thematic reviews. Rathbone Unit Trust Management is represented on both the group responsible investment committee and the voting committee.

4. Transparency

We will report annually on the progress of our responsible investment activities. Integrating ESG factors into our research, engagement and investment process is important to us and we want to be transparent about our progress. It's important that we produce annual reporting for our clients and other stakeholders, while also contributing to the group's detailed submission to the annual PRI reporting cycle. We will evolve our reporting in this area in line with expected regulatory developments.

We are proud of the impact we have made through our proactive stewardship policies on voting and engagement. While driven at a group level, Rathbone Unit Trust Management takes an active role in setting the agenda and supporting the central function through membership of the various stewardship committees. We also use our direct access to management to actively support the agenda of the engagement and voting committee as well as other ESG issues highlighted by the teams themselves. Our most recent stewardship reports can be found here. We are also active in working with the Group on thematic pieces of research and engagement, such as our recent report on modern slavery and supply chain transparency available here.

At a corporate level, as a signatory of the PRI and their reporting framework, we provide details every year on our responsible investment activities, which is used to publish a responsible investment report available here. As a signatory to the Net Zero Asset Management (NZAM) initiative, we report annually on our progress towards reaching our net zero targets, though our CDP and PRI submissions available here and here respectively.

The Task Force on Climate-related Financial Disclosures (TCFD) was established by the Financial Stability Board following a mandate from the G20. Supported by prominent industry experts, the TCFD examined the physical, and transition risks associated with climate change, and requires effective financial disclosures across industries. It has subsequently issued recommendations that aim to help companies provide decision-useful information on the impact of climate on their business. Responding to the inclusion of TCFD as a UK listing rule in April 2022, we published our report titled the Rathbones 2021 Task Force on Climate-related Financial Disclosures report available here.

Responsible investing guidelines – our SFDR Article 6 funds

The four pillars to our responsible investment approach:

- **ESG integration**
- **Voting with purpose**
- **Engagement with consequences**
- **Transparency**

detailed previously apply to all funds managed by Rathbone Unit Trust Management, irrespective of their objectives. All our funds will be subject to any exclusion policies imposed by the group or Rathbone Unit Trust Management. Exclusionary criteria within an investment policy mean a fund can't invest in specific sectors, assets or businesses which are involved in certain activities. Details on these restrictions can be found below in the sections on company and entity level exclusions. In addition, there may be additional policies applied by individual teams in order to best meet the client and investment needs of the particular fund. A fund's investment policy tells you what a fund can and can't invest in. Specific criteria differ from fund to fund, so you should check the fund's investment policy to make sure the funds exclusions align with your values.

Sustainable investment guidelines – our Article 8 funds

Sustainable investment is about long-term value creation for investors, society and the environment

We believe it is possible to achieve long-term growth by investing in entities that conduct their business, and thereby apply capital, in a responsible way. This is achieved by taking into account a range of social and environmental issues, along with how they might affect individuals and wider society. We therefore believe a sustainable fund is one that includes all of the following approaches to responsible investment:

- Integrates ESG factors into risk management and stewardship activities
- Follows **'do no harm'** clauses within its investment policy
- Implements **'do good'** clauses within its investment policy
- Employs independent oversight and veto on investment decisions.

Exclusionary criteria – 'do no harm'

Some ESG integrated funds and all sustainable and impact investment funds and mandates will have exclusion criteria within their responsible investment policies. This can also be referred to as a 'negative screen'.

A fund's investment policy tells you what a fund can and can't invest in. Exclusionary criteria within an investment policy mean a fund can't invest in specific sectors, assets or businesses which are involved in certain activities. Specific exclusionary criteria differ from fund to fund, so you should check the fund's responsible investment policy to make sure the funds exclusions align with your values.

In the event an investment no longer meets a fund's exclusionary criteria, the fund manager will dispose of the investment within six months. Although the maximum limit to dispose of an investment is six months, in practice we will aim to dispose of an asset in the shortest possible period, taking into account the best interests of the unitholders of our fund. Some very short dated (under 2 years) fixed interest securities may in exceptional circumstances be held to maturity if disposal would significantly impact financial returns.

Company-level exclusions

These exclusions align with our corporate responsible investment strategy and apply to all investments across the Rathbones Group. These exclusions are recommended by our group responsible investment committee, which has a number of representatives from Rathbone Unit Trust Management. These are then ratified by the Group Executive Committee and implemented across the group. Such exclusions are quite a blunt tool, so are limited to companies operating in industries which are a clear and obvious contradiction to our values, such as cluster munitions.

Entity level exclusions

The Rathbone Unit Trust Management responsible investment and business committee meets monthly to review emerging trends and debate entity-level restrictions. We do not currently impose any entity-level restrictions on our investments.

Fund-level exclusions

Our funds use a negative screening process to avoid investing in companies that create significant negative impacts that are considered to be incompatible with sustainable development. Therefore, our funds will exclude companies that are in breach of one or more of the bespoke criteria established for each of our funds with a sustainability investment focus. Examples of exclusions used by some or all of our investment teams may include:

- Ethical issues; companies deriving a significant proportion of their revenues from alcohol, armaments, gambling, pornography, etc.
- Environmental issues; companies deriving a significant proportion of their revenues from oil and gas production, thermal coal, nuclear power, etc.
- Social issues; companies showing repeated or serious failings related to health and safety, diversity, etc. or International Human Rights Standards

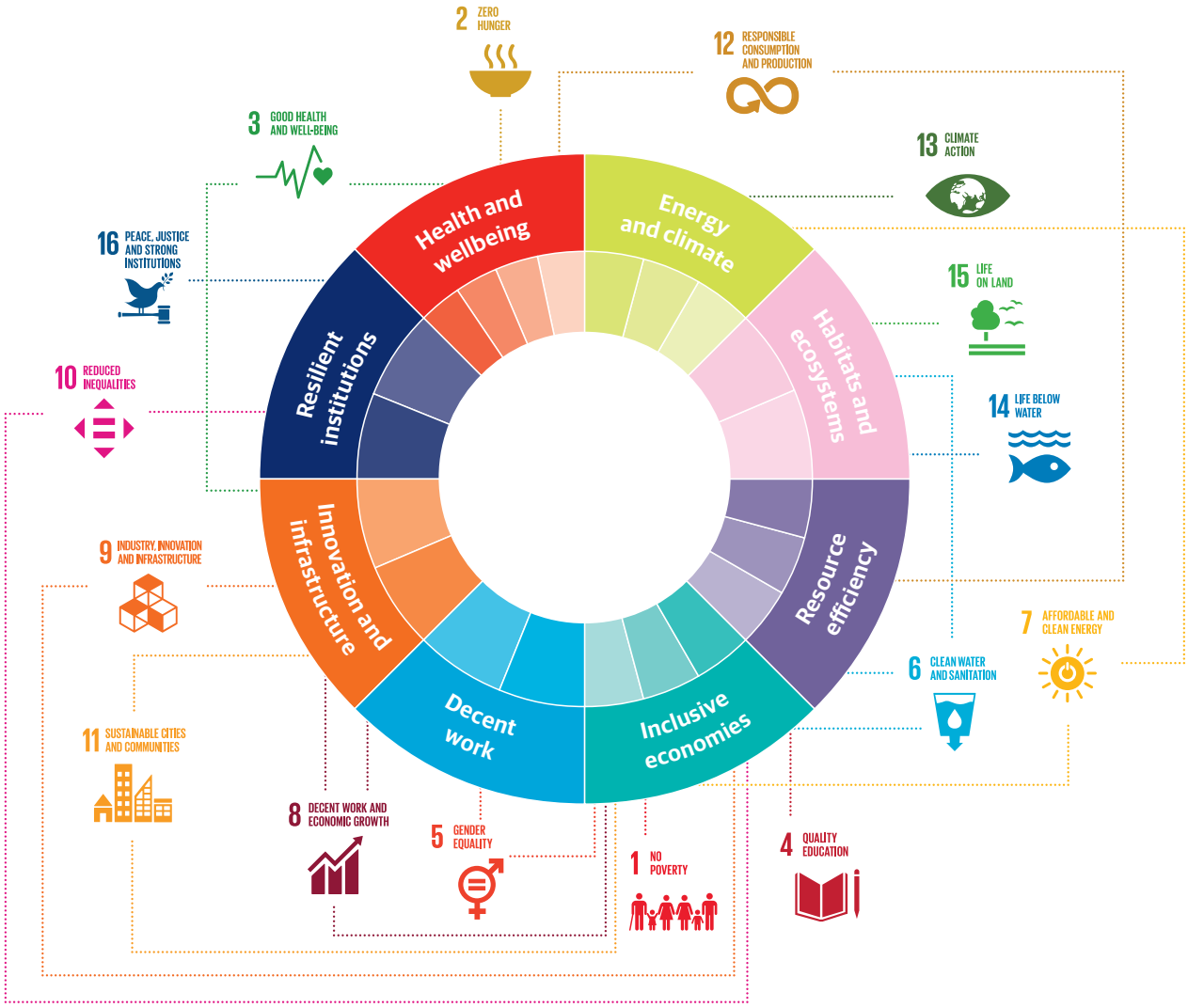
Inclusionary criteria — 'do good'

All sustainable and impact investment funds and mandates will have inclusion criteria within their responsible investment policy. This can also be referred to as a 'positive screen'. Our aim is to invest in companies and entities that display strong environmental, social and governance policies and practices because we believe they are well-positioned to deliver long-term value creation for investors.

In order to qualify for inclusion in our sustainable funds, companies and entities that pass the negative screen must also display leading or well-developed business practices and policies (operational alignment), and/or allocate capital towards the provision of products or services aligned with sustainable development (activity alignment).

In September 2015, the United Nations launched the Sustainable Development Goals (SDGs). These comprise of 17 goals, with 169 underlying targets that aim to "end poverty, protect the planet and ensure prosperity for all" by 2030. The SDGs provide a comprehensive framework for international action on the many social and environmental challenges facing the world. Rathbone Greenbank Investments has mapped the SDGs to a set of eight sustainable development categories and 21 underlying sub-categories.

These categories ultimately align with the same ambitions as the SDGs but focus on areas most relevant to companies and investors. We use these to determine how successful individual companies are at translating aspirations into tangible results.



Expert and independent input from Rathbone Greenbank Investments

Rathbone Greenbank Investments (Greenbank) is the dedicated ethical, sustainable and impact investment unit of Rathbones. The team has been at the forefront of developments in the sustainable investment industry for over twenty years, launching one of the UK's first bespoke ethical portfolio services. Since 1997, the team has offered a dedicated responsible investment service, applying social, environmental and ethical principles in the management and screening of client portfolios. The team is passionate about sustainability issues and placing the principles of its clients and partners at the forefront of everything it does. A leader in sustainable investment, it has been pushing for improvements in corporate sustainability through active engagement with companies on issues ranging from modern slavery to climate risk since its foundation.

Greenbank's research team provides those funds within Rathbone Unit Trust Management that have a sustainability focus with independent analysis into the sustainability credentials of the companies and entities in which they invest. Greenbank's proprietary database comprises ESG risk and sustainability profiles on companies, governments and other entities, enabling us to ensure our funds only invest in approved entities that are aligned with the SDGs.

Greenbank is the final arbiter on whether an investment is eligible for inclusion within our sustainable funds, through the use of both positive and negative screens. It also monitors fund holdings' ongoing suitability in the event of changes in their core activities due to mergers, acquisitions and disposals, or as they develop new ESG policies and practices. Greenbank can veto any investment which they believe does not meet our inclusionary or exclusionary criteria. This ensures all criteria are applied without bias or influence from our fund managers.

Measurable outcomes

All impact investment funds and mandates will have measurable outcomes within their investment objectives.

A fund's investment objective tells you what a fund aims to achieve. Investment objectives can be financial, for example, aiming to achieve a return on your investment greater than a financial index. They can also be non-financial, for example, trying to reduce carbon emissions by a set amount. The key is for the objective to be measurable so the fund's progress can be reported against the objective. Investment objectives differ from fund to fund, so you should check the fund's responsible investment policy to make sure the funds objective align with your values.

The progress towards a fund's thematic or impact investment objectives will be reported at least biannually in the fund's report and accounts.

Appendix

Notes

Rathbone Ethical Bond Fund was launched over 20 years ago and as such its remit is less closely aligned with more recent responsible investment taxonomies/ frameworks. It has clear ethical and sustainable aspects to its mandate, employs negative screening to follow "do no harm" exclusions and is subject to independent analysis and veto by Greenbank's ethical, sustainable and impact research team. However, it does not require alignment of all the portfolio with the United Nations Sustainable Development Goals.

Definitions

Environmental, social and governance	Environmental, social and governance, or ESG for short, refers to the three central factors used to assess the sustainability and societal impact of an investment in a company or business. Environmental – Issues relating to the quality and functioning of the natural environment. Social – Issues relating to the rights, well-being and interests of people and communities. Governance – Issues relating to corporate governance and corporate behaviour. When referring to an investment or group of investments, 'ESG' is often used synonymously with responsible investment, sustainable investing, socially responsible investing, mission-related investing, or screening and refers to following investment principles, either defined in the investment policy or investment objective, to 'do no harm' or 'to do good', or a mixture of both. When referring to risk management, 'ESG' characteristics of an investment are scrutinised by the fund manager in the investment decision making process.
Stewardship	Stewardship is engaging with publicly owned companies and voting on behalf of our investors, ensuring the companies we invest in do the right thing. Stewardship undertaken on behalf of Rathbone Unit Trust Management includes monitoring and engaging with companies on matters such as strategy, performance, risk (including ESG risk), capital structure, and corporate governance (including culture and remuneration). Engagement is a part of stewardship and defines the purposeful dialogue with companies on these matters.

Responsible investment	Responsible investment is the integration of ESG considerations into investment management processes and ownership practices in the belief that these factors can have an impact on financial performance. At Rathbones, we aim to invest responsibly throughout all products and services we offer.
Traditional fund	We define a 'traditional fund' as one which does not formally consider ESG risks or carry out stewardship activities on behalf of its investors. We do not consider traditional funds to be investing responsibly.
ESG integrated fund	We define an ESG integrated fund as one which takes consideration of ESG risk factors alongside financial factors in the investment decision-making process and actively undertakes stewardship activities on behalf of its investors. We consider ESG integrated funds to be investing responsibly.
Exclusionary fund	We define an 'exclusionary fund' as one which undertakes ESG risk management and stewardship activities. Additionally, these funds have exclusionary clauses within their investment policies. These clauses mean the fund cannot invest in sectors or businesses outlined in the fund's prospectus. We consider exclusionary funds to be investing responsibly.
Sustainable fund	We define a 'sustainable fund' as one which undertakes ESG risk management and stewardship activities and has exclusionary 'do no harm' clauses within its investment policy. Additionally, these funds have 'do good' clauses within their investment policies. These clauses mean the fund can only invest in businesses which contribute to UN Sustainable Development Goals. We consider sustainable funds as investing responsibly.
Impact or thematic investment fund	We define an 'impact' or 'thematic' investment fund as one which undertakes ESG risk management and stewardship activities. These funds may have exclusionary 'do no harm' clauses and 'do good' clauses. Additionally, these funds have measurable ESG goals within their investment objective. We consider sustainable funds as investing responsibly.

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Rathbones
Look forward

Rathbone Unit Trust Management Limited (known as Rathbone Funds) is a subsidiary of Rathbones Group Plc and is authorised and regulated by the Financial Conduct Authority.

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