RATHBONES

ENGAGEMENT POLICY

RATHBONES ASSET MANAGEMENT

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RATHBONES GROUP PLC

Introduction

Rathbones Asset Management is part of Rathbones Group Plc (Rathbones), which also includes Rathbones Investment Management and other business units. At Rathbones, we see it as our responsibility to be good, long-term stewards for our clients. Responsible investment is one of our four responsible business principles, alongside our own treatment of the environment, our community and our staff. Rathbones has adopted a responsible investment policy (RI Policy) which provides the basis for how we will manage the assets held our funds and portfolios in a manner consistent with our responsible business objectives and relevant laws and governance standards. Our RI Policy is built upon four pillars covering our commitment to environmental, social and governance (ESG) integration, engagement, voting and transparency. More information is available via our Responsible Investment report.

As a signatory to the Principles for Responsible Investment (PRI), a United Nations supported network of investors, and the UK Stewardship Code, Rathbones aim for best practice in corporate engagement and responsible ownership, and regularly report to relevant bodies on our processes and progress.

Stewardship teams

The Rathbones Stewardship team is responsible for delivering proxy voting and engagement on ESG issues for Rathbones Group. Rathbones Greenbank Investments (Greenbank) has an ethical, sustainable and impact (ESI) team who are responsible for engagements as well as research and screening for holdings within Greenbank and for the funds within Rathbones Asset Management that integrate sustainability characteristics.

Engagement approach

Through meaningful and long-term engagement with our holdings, we aim to address and minimise systemic ESG risks and improve corporate performance, both of which impact clients' returns. In selecting engagements, we are guided by a number of factors, such as our exposure to the issue and its severity. We leverage our in-depth knowledge of our holdings to have open and ongoing conversations with company management around ESG issues. We have an established escalation framework that allows us to adapt our engagement method based on what's most likely to be effective on a case-by-case basis.

During each engagement opportunity, we may adopt a variety of communication methods. How we engage is determined by several factors including nature and timing of the issue, type of company and our resources.

Each year, we identify priorities among ESG issues most relevant to our existing investments. Other issues may emerge which we need to respond to, but our goal is to focus our time and resources on material and systemic issues that we can influence. More information is available via Rathbones Engagement Policy.

We recognise that ESG issues are complex and may progress over a long time. We retain flexibility in our response to engagements which are not progressing in line with expectations, recognising that no one-size-fits-all escalation is suitable for all our holdings. Escalation may take the form of joining collaborative initiatives to apply greater pressure on companies, filing shareholder resolutions and voting against management on the matter. Whilst individual business units play different roles according to their mandates, as a group we are members of several investor initiatives, including:

- UN PRI: We have been members since 2009 and make full use of the PRI's collaboration platform, engaging with other members on a wide range of ESG issues each year
- IIGCC: We have been full members of the Institutional Investors Group on Climate Change since 2019. We sit on the resolutions subgroup and co-lead engagement with utilities companies
- Science Based Targets Initiative (SBTi) which has approved our near-term 1.5°C-aligned targets, including a commitment to engage with investee companies on net zero
- Climate Action 100+: Investors committed to engaging with companies earmarked as important to the transition to a net zero global economy
- Nature Action 100: This initiative is pressing to reverse nature and biodiversity loss by 2030
- Votes Against Slavery: An investor coalition run by Rathbones which encourages companies to be more aware of the risk of modern slavery in their supply chains and take steps to prevent it
- Find it, Fix it, Prevent It: We are founder members of this investor coalition, set up to encourage companies to find any existing slavery within their supply chains, support victims and put measures in place for prevention
- World Benchmarking Alliance – A non-profit organisation working with stakeholders which holds 2,000 of the world's most influential companies accountable for helping the world achieve the UN Sustainable Development Goals

INTRODUCTION TO RATHBONES ASSET MANAGEMENT ENGAGEMENT POLICY FRAMEWORK

As an active fund manager, engagement is core to the way we run money for our clients.

We recognise that we have a responsibility and a fiduciary duty to our clients to help address and minimise the environmental, social and governance (ESG) risks, which may affect the financial returns of our clients' assets. We are long-term and active holders of capital so, if necessary, we aim to have a long-term dialogue with companies in order to understand the ESG risks at hand and decide how that factors into investment analysis and portfolio construction.

At Rathbones Asset Management, we combine the best cultural aspects of an investment boutique with the strengths of a well-resourced and patient parent. Being part of Rathbones Group means we have a stronger voice at the table, which bolsters the close relationships our fund managers have with company management.

We have a dedicated Rathbones Asset Management engagement resource, who work closely with the Rathbones Group Stewardship team and Greenbank's ESI team to concentrate our efforts and improve our effectiveness. The Rathbones Asset Management engagement team regularly communicates upcoming votes, engagements and engagement priorities for different areas of the business via the Rathbones Group Engagement Committee, or through ad-hoc updates if needed. The Rathbones Asset Management engagement team also works closely with our investment teams to prioritise, lead, escalate, report and track engagements for each fund.

ESG risk factors are incorporated into our bespoke research process which is specific to each strategy and fund managers are aware of ESG risks. Our independent risk oversight team monitor ESG risks in real-time using data from several external providers including MSCI and Morningstar's Sustainalytics. There is a feedback loop from our fund management teams to risk and senior management, where ESG risks must be explained and managed appropriately. The Rathbones Asset Management Responsible Investment Committee has representatives from all parts of our business and provides a further feedback loop to identify and act on ESG risks.

OUR APPROACH

We follow a decentralised process, operating with small, independent teams, each empowered to actively invest using an investment process that best embodies their philosophy and style. We have an engagement process which all the fund franchises follow, while still giving them autonomy to engage in a way which best suits their fund and its objectives.

We consider ESG data from a variety of third-party sources working closely to understand what the key ESG risks for each fund franchise and how best to engage. We meet with companies regularly which allows us to communicate directly with management about any concerns we have. It also allows us to share clients' expectations and encourage best practice. We understand changes can't always happen immediately, so checking in with the company's progress is important but so is being patient and understanding the barriers it may be facing. Over time, we can then assess whether we believe the company is adequately managing its material ESG risks, with the aim of working in collaboration with it to achieve the best results for our clients and the company's long-term prospects.

Identifying engagement opportunities

Each year, we identify our engagement priorities. We decide our priorities based on the following factors:

- Our exposure – we are more likely to engage on a topic where the company is widely and materially held across our business
- Severity – we are more likely to engage on issues that present an immediate or severe threat

We conduct this analysis using extensive quantitative data received from third parties, which we then review using our judgement and experience.

We have ad-hoc, tactical engagements ongoing throughout the year. These can be sparked by flags from third-party data sources, news articles, our internal research, Annual General Meeting (AGM) season activity, the list goes on. We have a weekly risk meeting where our risk team highlight changes in ESG ratings for our engagement team to research further and understand if it's an opportunity to engage. When these engagements occur, our engagement team will liaise with our fund managers to understand the severity and priority of the engagement. This in turn will contribute to the timelines and objectives set for the engagements.

How we engage with companies

There are multiple ways of communicating with companies. We understand the time constraints and pressure companies can be under. Sometimes an email is appropriate for answering more routine queries and evaluating ESG risks. Sometimes meetings (virtual or in-person) are more relevant for the issue at hand and allow both us and the company to communicate more clearly and go into more depth. Letters are also used when we want to have more formal dialogue with a company. They are used as an escalation to emails and meetings as they are usually addressed to a senior member of the company. All our engagements are tracked using a third-party system for reporting and compliance purposes.

Our engagement team will set a timeline for each engagement related to what is being asked of the company. We want to give each company enough time to demonstrate its ability to mitigate the ESG risk we have raised. The frequency of engagement depends on the priority of the engagement as well as the nature of the engagement.

VOTING & AGM SEASON

Our approach

Across our business, we commit to actively voting on all votable stocks we hold in our funds in line with our responsible investment commitments. This may involve voting against management to help drive positive change. Our voting activities apply a benchmark voting policy, which is the ISS Sustainability Voting Policy, as standard for all Rathbones Asset Management holdings. Further details are available via the following link: Sustainability-International-Voting-Guidelines.

ISS' Sustainability Voting Policy covers corporate practices that align with recognised global standards for the environment, fair labour practices and human rights protections. The policy uses frameworks from international sustainability initiatives, including the United Nations Environment Programme Finance Initiative (UNEP FI), United Nations Principles for Responsible Investment (UNPRI), and the Global Reporting Initiative (GRI) among others.

We automatically follow ISS's Sustainability Voting Policy unless a vote against management is suggested, wherein this is flagged to the fund managers by our engagement team. In these cases, the fund managers and engagement team discuss the best voting decision to make. Fund managers are given discretion to vote for their respective mandates. The nature of the issue at hand may also affect the voting intention for different funds – for example, a vote on dividend policy may garner different views from an income fund manager versus a growth fund manager. We will aim to contact the company ahead of the AGM whenever a fund manager has concerns with the ESG risk management at the respective company. This then allows the company to provide further information which may lead the fund manager to vote differently.

The voting history for each of our funds can be viewed on our voting disclosure tool.

Our engagement team seek to communicate with companies throughout the year, with a company's AGM being a key moment to raise any ongoing ESG concern with the board. The AGM is also a useful opportunity for us to identify future engagement priorities.

We vote according to the respective views of the fund manager, with a consideration to escalate our vote if we have seen insufficient progress or communication to our concerns previously raised with the company.

Ahead of voting at a company's AGM, we will consider ISS's analysis, our voting guidance, how we have voted on the topic previously (if applicable) and if we have engaged on that topic previously (if applicable) to make an informed voting decision.

ESCALATION PROCESS

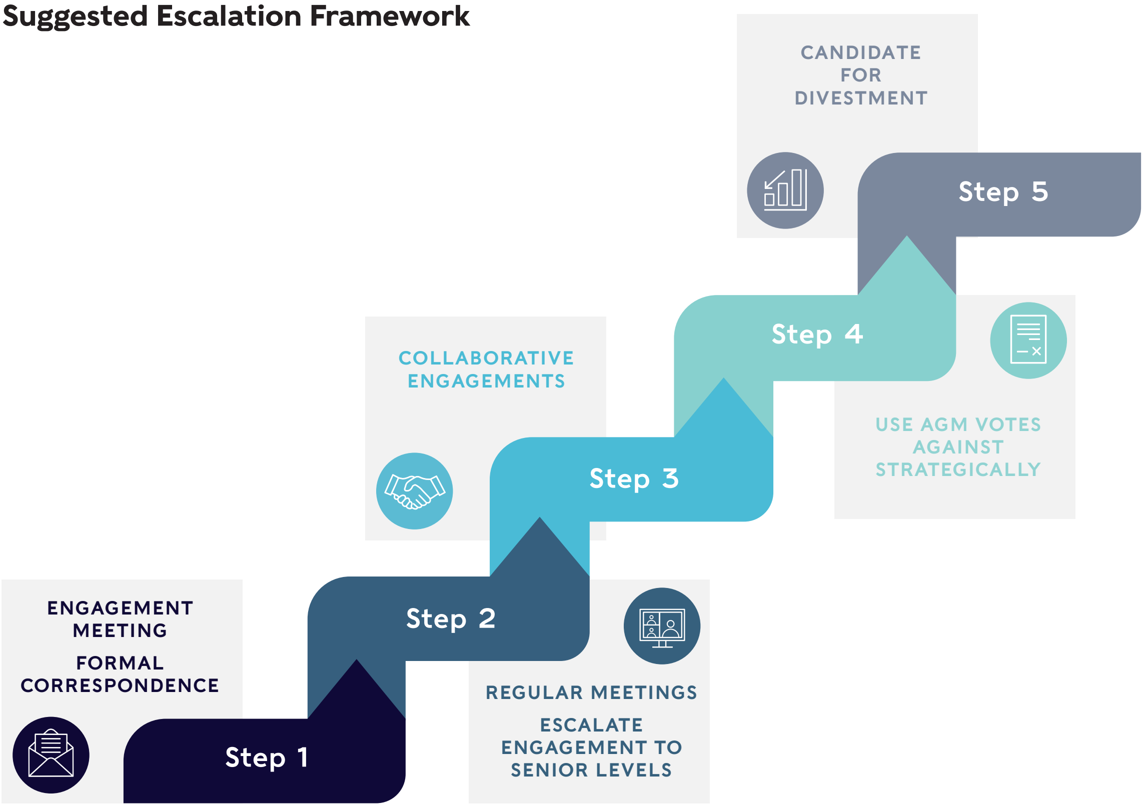
We have an escalation framework for when we have material concerns that are not being addressed by a company. The framework allows us to move through more formal and potentially public ways of engaging with the company. This is based on what is most likely to be effective on a case-by-case basis. We understand that we may need to escalate our engagement differently depending on factors such as the nature of the engagement, the type of business and the communication received from the company.

The framework includes: formal correspondence such as letter writing, engagement meetings with the relevant contacts at the business, escalating the engagement to senior positions within the business, collaborative engagements through letters or meetings, strategically voting against management in the AGM season and, ultimately, reducing exposure over time.

Collaborative engagements – where we band together with other investors – are carefully thought out. We consider whether the agenda aligns with our engagement priorities or represents a key risk to our investee companies. We use collaborative engagements when we want to escalate an existing engagement priority as it can deliver greater results than engaging on our own.

When there is a recommendation to consider divestment, our fund manager will scrutinise the ESG risk, our engagement priorities and engagement communications alongside their investment analysis.

Suggested Escalation Framework



Source: Rathbones, August 2024

SUSTAINABILITY

Our funds

We have a range of funds with sustainability characteristics including Rathbone Greenbank Global Sustainability Fund, Rathbone Greenbank Multi-Asset Portfolios, Rathbone Ethical Bond Fund and Rathbone Greenbank Global Sustainable Bond Fund. Their objectives include supporting sustainable development by investing in companies whose activities or ways of operating help deliver social or environmental benefits. Clients investing in these funds, therefore, not only want to maximise financial returns with their investments but also wish to bring about positive change with how their money is invested. Engagement has a key role in achieving this goal. This is why, for our funds with sustainability characteristics we undertake engagements focussing on net zero alongside other thematic engagements on issues based on news, research and AGMs where there is a need to address environmental or social concerns, and encourage the companies we invest in to operate in ways more aligned to a sustainable future.

Engagement on climate change

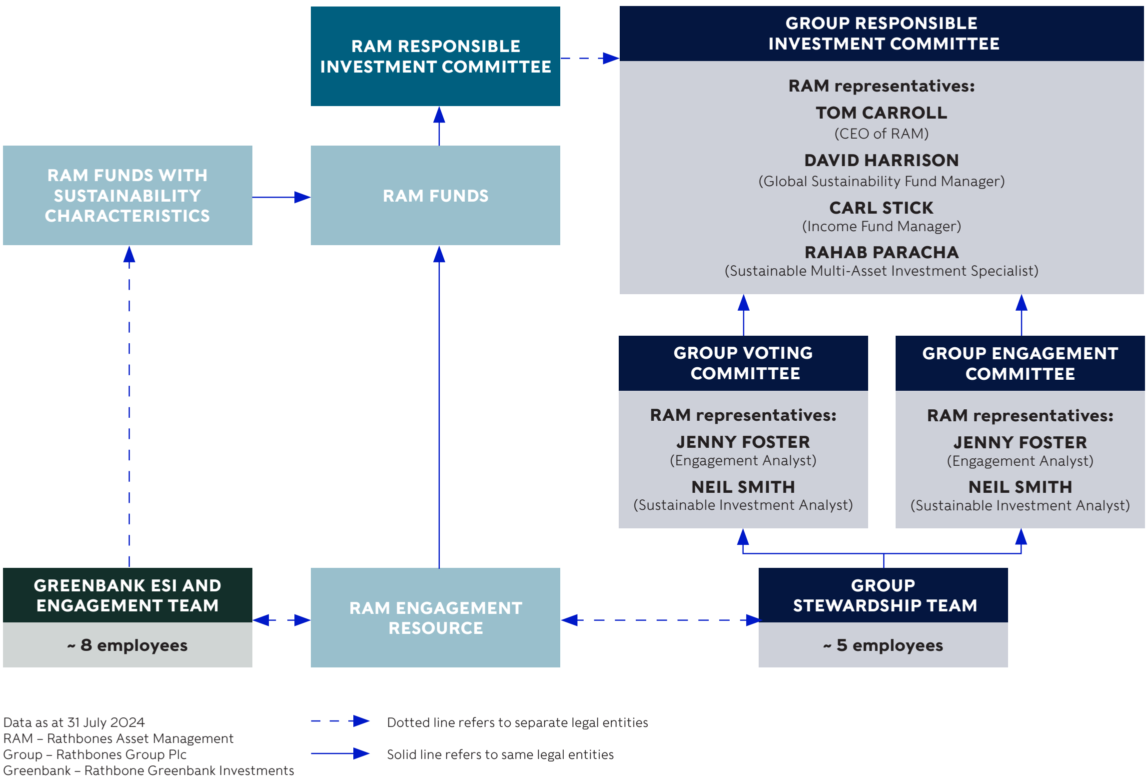
As part of the larger Rathbones Group, we have made a commitment to achieve net-zero emissions across our business by 2050 or sooner. Our commitments align with the need to limit global warming to no more than 1.5°C above pre-industrial levels as set out in the Paris Climate Agreement. This pledge covers greenhouse gas emissions associated with our operations, supply chain and, importantly, our investments. We use engagement to make sure the companies we hold in our funds are taking the crucial steps to manage the array of climate-related risks they are facing to ultimately future-proof and protect our clients' capital. We use a series of frameworks such as SBTi and the Net Zero Investment Framework, recognising that there are multiple approaches that companies can take to achieve net zero.

The escalation steps taken depend on the specific circumstances of a company's emission reduction plans and the discussions we have had in engagement meetings. We prefer to engage with our investee companies and our aim is to have constructive dialogue with the board and senior executives. Where this is not possible, we have our escalation framework and utilise the number of tools at our disposal.

OVERSIGHT

This policy is reviewed annually by members of our Responsible Investment Committee. The committee provides oversight and guidance for our approach to responsible investment (RI) and reports into the Rathbones Group RI Committee, which includes several representatives from Rathbones Asset Management. We are also represented on the Rathbones Group Voting and Engagement Committees by our engagement analyst and our sustainable investment analyst. The Rathbones Engagement Committee provides oversight of Rathbones Group engagement activities, including tracking progress against our objectives and advising on escalation approaches. The Rathbones Group Voting Committee is responsible for ensuring best practice and reviewing the overall approach to voting, including that of our third-party proxy voting consultant. Ultimately, the overarching responsibility for our RI activities sits with the Rathbones Group Executive Committee.

RAM ESG Oversight



Source: Rathbones, November 2024

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