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Introduction

Sustainable investing within a multi-asset framework

Multi-asset funds that follow a sustainable investment process are naturally more complicated than single-asset strategies. With more asset classes to consider, each of which has its own characteristics and complications, it is important that our objectives and investment process are clear.

Our aim with the Rathbone Greenbank Multi-Asset Portfolios (RGMAPs) is to be as transparent as possible about the asset classes and underlying companies that we hold. We do this by clearly defining what we mean by sustainable investing and the criteria that specific asset classes must meet for inclusion in the funds.

Our objective with these funds is to invest in companies and entities that are aligned with the 17 UN-backed Sustainable Development Goals (SDGs). We developed our sustainability framework, methodology and screens in collaboration with Rathbone Greenbank Investments (Greenbank), which has a long track record of managing private client portfolios as well as providing screening services for the Rathbone Ethical Bond Fund and Rathbone Greenbank Global Sustainability Fund*. Greenbank's ethical, sustainable and impact research team works to ensure that investments are made only in organisations that meet the funds' criteria.

The combination of Rathbone Unit Trust Management (known as Rathbone Funds) and Greenbank places us at the forefront of sustainable multi-asset investing. It creates a joint approach to analysing sustainability performance and engaging with companies on environmental, social and governance (ESG) issues. With sustainable investing constantly evolving, we have the experience and expertise to adapt and respond to new developments and trends as they emerge.

This document outlines this collaboration between Rathbone Funds and Greenbank in greater detail; it expands upon the principles and processes involved, and provides a comprehensive insight into the credentials of the Rathbone Greenbank Multi-Asset Portfolios.

* Name change subject to FCA approval

Collaborative working

The funds are a collaboration between Rathbone Funds and Greenbank. The day-to-day management of the funds is the remit of Rathbone Funds, utilising a well-established investment process with a demonstrable track record. The sustainability analysis for the funds is provided by Greenbank, the specialist ethical, sustainable and impact investment unit of Rathbones.

Rathbone Funds

Rathbone Funds is a leading UK asset manager. We are an active management house, offering a number of equity and bond unit trusts and a mult-asset portfolio range. We specialise in investment management for retail investors, intermediaries and segregated institutional accounts.

The managers of the Rathbone Greenbank Multi-Asset Portfolios are supported by a wider investment team of equity and fixed income fund managers and analysts, including those of the Rathbone Greenbank Global Sustainability Fund* and the Rathbone Ethical Bond Fund.

Rathbone Greenbank Investments

Rathbone Greenbank Investments 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 since 1992, launching one of the UK's first bespoke ethical portfolio services. Since 1997, Greenbank 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 pioneer 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.

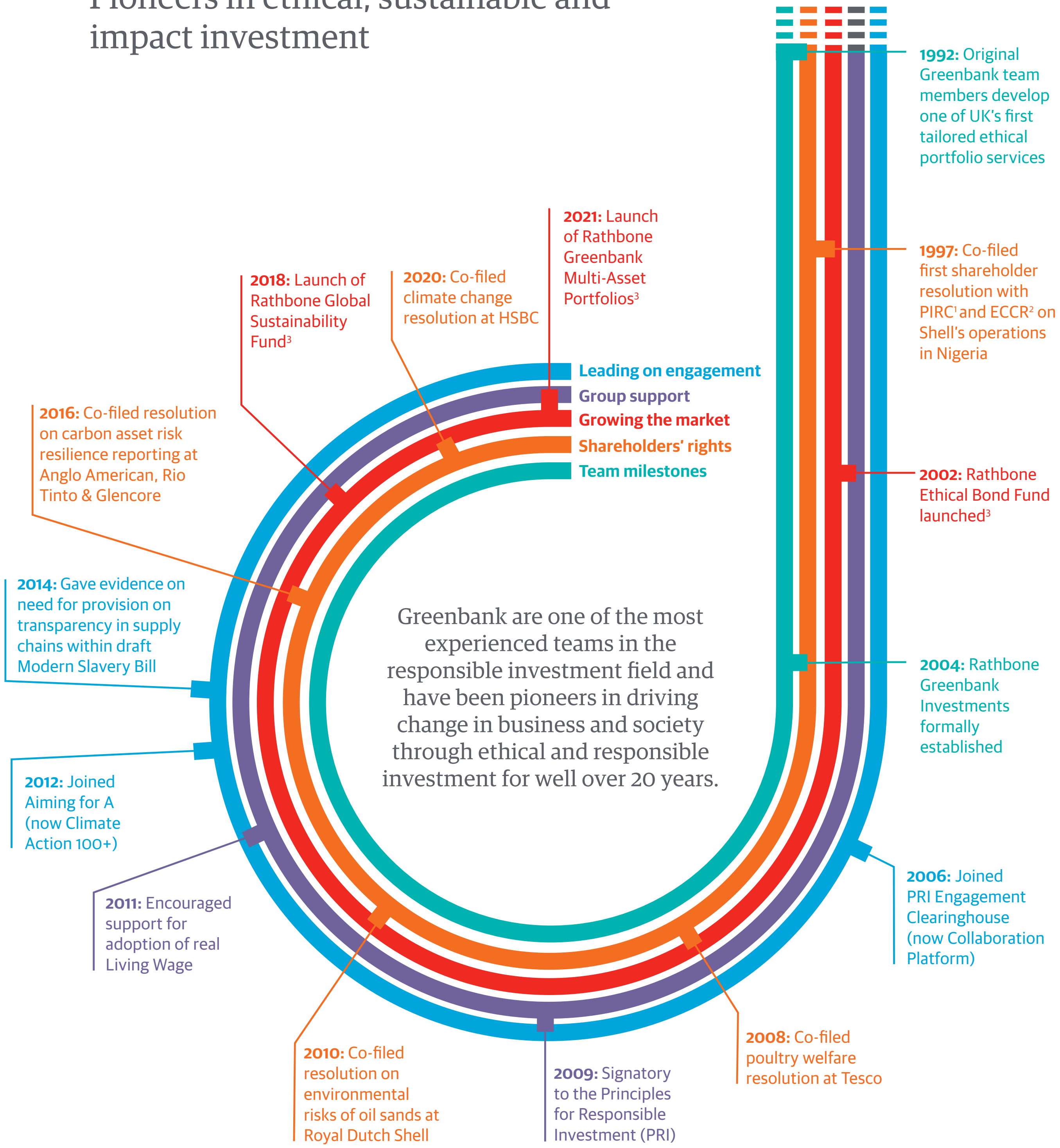
Greenbank's research team provides the Rathbone Greenbank Multi-Asset Portfolios with independent analysis into the sustainability credentials of the companies and entities in which they invest. Their proprietary database comprises ESG risk and sustainability profiles on companies, governments and other entities, enabling the team to ensure the 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 the funds; it also monitors fund holdings for their ongoing suitability in the event of changes in their core activities due to mergers, acquisitions and disposals or as they develop new environmental, social and governance (ESG) policies and practices.

* Name change subject to FCA approval

Greenbank's heritage

Pioneers in ethical, sustainable and impact investment



1 Pensions & Investment Research Consultants Ltd.

2 The Ecumenical Council for Corporate Responsibility.

3 Managed by Rathbone Unit Trust Management; screening services provided by Rathbone Greenbank Investments.

Sustainable investment — a definition

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, and 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

Rathbone Greenbank Multi-Asset Portfolios sustainable investing…

…means seeking companies and entities that align with the following principles:

A force for good — companies must display leading or well-developed business practices and policies, and/or allocate capital towards them in a way that supports sustainable development.

Doing no harm — companies in the portfolio must pass through strict screening criteria, excluding organisations whose activities or operating practices hinder sustainable development.

Durable franchises — investing in quality companies that have strong business models, robust risk management, sound financial metrics and an ability to evolve and remain relevant for the long term.

Corporate culture — only investing in companies that have good corporate governance, are managed in the interest of shareholders and stakeholders, and treat their employees well.

Responsible governments — only lending to governments that respect human rights and civil liberties, are driving towards a greener economy and provide a range of public services.

Our approach to sustainability analysis

Our investment team identify material ESG risks in their investment analysis. The fund managers then assess the potential impact of these on company performance before making an investment decision.

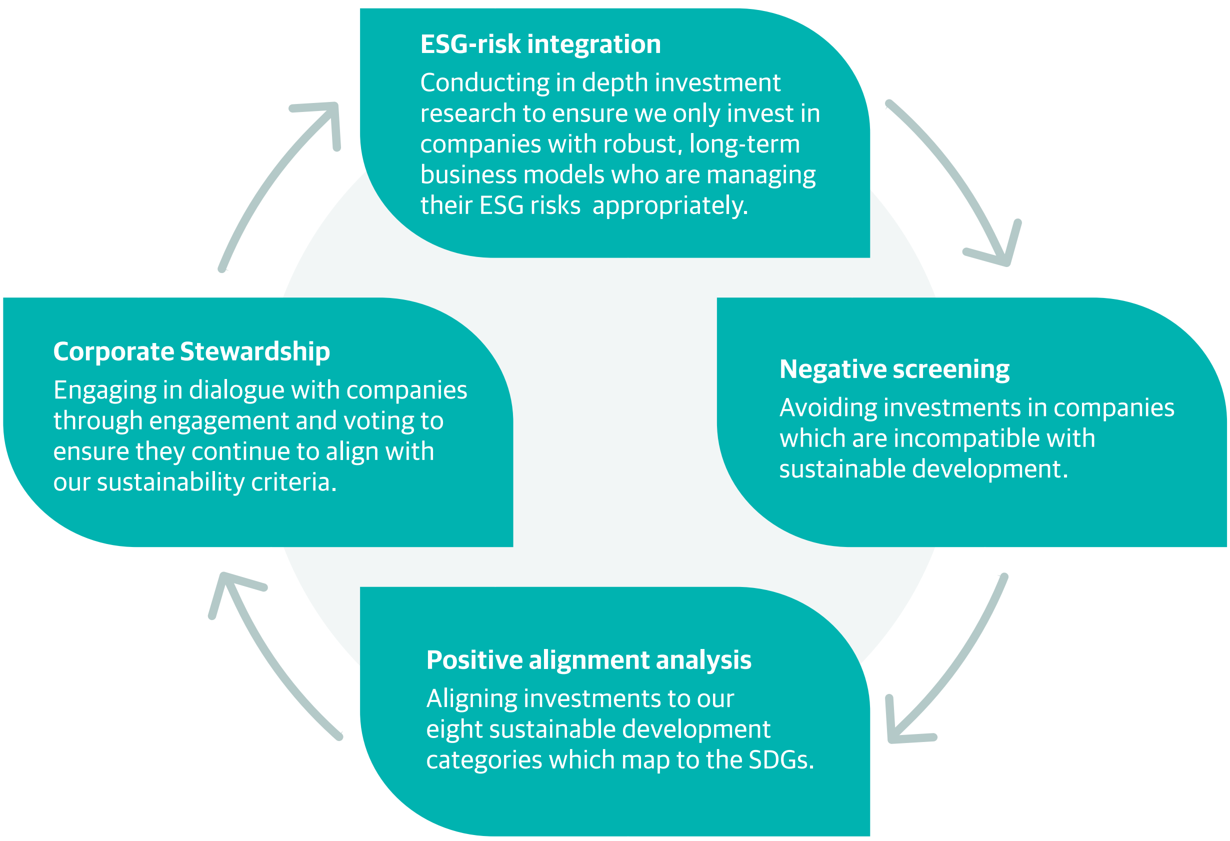
All assets in the funds are then scrutinised against pre-determined sustainability criteria by Greenbank's ethical, sustainable and impact research team, which maintains a proprietary database of in-depth profiles on companies and countries.

The sustainability criteria are explained in greater detail later in this document and have been designed to exclude entities whose activities or behaviours hinder sustainable development and identify those that are delivering benefits for society and the environment. They have been agreed between the fund managers and the team at Greenbank, who are the final arbiter on whether an investment is eligible for inclusion within the funds. While the fund managers may propose a stock, the team at Greenbank has the power of veto if the company fails this screening process, ensuring validation by an independent, third party.

To be considered for inclusion in the funds, a company or entity must demonstrate strong positive policies and practices, or provide a clear link between their activities and sustainable development. Greenbank has mapped the SDGs to a set of eight sustainable development categories and underlying sub-categories. The fund managers seek to invest in alignment with these, in the process aligning investment returns with positive social and environmental commitments.

Greenbank is also responsible for monitoring news on environmental and social matters that may affect the fund's investments, both positive and negative. As new governments are elected, or companies change their activities, merge with others, or develop new policies and practices, their suitability and risks will alter. The research team monitors corporate news flow on a daily basis using an Artificial Intelligence-powered web platform, a web-based content and RSS (Really Simple Syndication) feed reader, and ESG rating and news alerts from research firm MSCI.

Finally, corporate stewardship forms an essential part of our approach to responsible investment. Corporate stewardship is a crucial fourth leg to the process and involves the participation of both the fund managers and a dedicated corporate governance team when scrutinising policies and management teams.



What can we invest in?

Sustainability criteria

All asset classes that can be held in the funds must meet our sustainability criteria. We use the same set of criteria when analysing companies, including shares, real estate investment trusts, corporate bonds and structured product counterparties. The process for government bonds and commodities is more complex and each of these asset classes requires its own customised criteria. However, the approach is consistent across all asset classes in ensuring all our investments are aligned with sustainable development.

Equities and corporate bonds

Companies are assessed against a number of positive and negative top-level social and environmental criteria, comprising over 300 distinct sub-criteria. New companies that are considered suitable for investment are investigated as requested by the funds' managers and subject to Greenbank's screening process.

The Greenbank team analyses the specific merits of each company's activities in detail and how it addresses sustainability and responsible business issues, as well as the quality of its response.

In addition to the reporting outputs from companies themselves, the team uses a variety of sources, including reports and publications from industry groups, non-governmental organisations, sell-side analysts, external research bodies and specialist responsible investment publications, to arrive at a balanced view of companies' overall performance. Since June 2015, the team has subscribed to MSCI ESG Manager to reinforce this process. Greenbank also conducts research into wider topics such as climate change, clean energy, human rights, community investment and employee welfare.

The exclusions and negative screens

The 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, the funds will exclude companies that are in breach of one or more of the following criteria:

Ethical issues	Explanation and criteria for exclusion
Alcohol	Excessive or irresponsible alcohol consumption can result in significant harm to individuals and society. Factors contributing to alcohol misuse include: low per unit alcohol pricing; promotions targeting young or underage consumers, or which encourage excessive consumption; the siting of licensed premises. **The fund shall exclude companies:** – **Deriving over 10% revenue from the manufacture of alcoholic beverages.** – **Deriving over 25% of revenue from the retail of alcoholic beverages.** – **Involved in serious or repeated breaches of guidelines to prevent the irresponsible marketing of alcohol or harmful drinking.**
Animal welfare violations: animal testing	Companies developing new pharmaceuticals, medical devices, chemicals or personal and household care products are sometimes required to conduct animal studies in order to demonstrate their safety and meet regulatory requirements on the registration of new products and ingredients. While alternatives to animal studies exist, in certain circumstances companies are obliged to conduct animal tests. **The fund shall exclude companies:** – **Conducting animal testing without an appropriate animal welfare violations policy, referencing the '3Rs' principles of refinement, reduction and replacement.**
Animal welfare violations: fur	**The fund shall exclude companies:** – **Deriving any revenue from the production of fur or exotic animal skins.** – **Deriving any revenue from the production or sale of products containing fur or exotic animal skins (either wild or farmed).** Non-food animal products that are by-products of the meat industry (e.g. leather) are not covered by these exclusions.
Animal welfare violations: intensive livestock farming	Intensive livestock farming can lead to significant animal welfare violations issues, with certain practices (such as close confinement or long-distance transport) likely to result in negative welfare outcomes for farmed animals. Intensive livestock farming can also create wider social harm due to an increased use of antibiotics and growth promoters or higher incidence of food-borne pathogens. **The fund shall exclude companies:** – **Rearing or processing of animals for food and operating without evidence of policies, management and reporting on farm animal welfare violations issues.**

Ethical issues (continued)	Explanation and criteria for exclusion
Armaments	**The fund shall exclude companies:** – **Deriving any revenue from the manufacture or sale of strategic weapons systems, munitions or combat platforms.**
Gambling	Excessive gambling can lead to debt problems for individuals, causing harm to families and wider society. Technological developments have led to greatly increased access to betting and gambling services. **The fund shall exclude companies:** – **Deriving over 5% of revenue from the operation of betting or gambling services (including casinos, betting shops, websites or mobile apps).**
Pornography	**The fund shall exclude companies:** – **Deriving any revenue from the production of sexually explicit material.** – **Deriving over 5% of revenue from the distribution or sale of sexually explicit material.** – **Failing to implement safeguards to prevent minors from accessing adult content.**
Tobacco	**The fund shall exclude companies:** – **Deriving any revenue from the manufacture of tobacco products.** – **Deriving over 5% of revenue from the sale of tobacco products or the provision of specialist machinery or packaging to the tobacco industry.**

Environmental issues	Explanation and criteria for exclusion
Climate change	Climate change is a major environmental challenge with wide-ranging social and environmental consequences. Certain industries and activities have an intrinsically high carbon impact that limits their ability to reduce climate impacts, e.g. through energy efficiency measures or the use of renewable energy. **The fund shall exclude companies:** – **Operating oil and gas fields or thermal coal mines.** – **Operating in high-impact industries without evidence of a credible strategy to align their activities with a low-carbon transition.**

Environmental issues (continued)	Explanation and criteria for exclusion
Environment	Environmental impacts can arise as a direct result of company activities or indirectly, e.g. through supply chains or the use of products. A failure to properly manage and mitigate environmental impacts can result in pollution incidents, prosecutions and fines, and damage to ecosystems and biodiversity. In addition, certain activities have an intrinsically high environmental impact and cause damage that is difficult to mitigate. **The fund shall exclude companies:** — **Deriving any revenue from mining and mineral extraction.** — **Involved in serious or repeated pollution incidents and/or demonstrating a material failure to manage their environmental impacts.** — **Linked to widespread habitat destruction or serious and unabated impacts on biodiversity.**
Nuclear power	While nuclear power offers a lower carbon method of generating electricity than fossil fuels, concerns remain about the environmental and health impacts associated with potential incidents and the treatment and storage of nuclear waste. **The fund shall exclude companies:** — **Deriving any revenue from the construction of nuclear power plants.** — **Generating over 10% of their total electricity output from nuclear power.** — **Deriving over 5% of revenue from the supply of equipment or services to the nuclear power industry, unless related to safety or environmental management.**

Social issues	Explanation and criteria for exclusion
Employment	Companies have a duty to ensure the safety of those working for them, and to provide fair and decent working conditions. A failure to do so can result in serious safety incidents or fatalities, labour disputes or legal action. Poor employment practices can also exacerbate inequality and cause wider social harm. **The fund shall exclude companies:** — **Showing serious or repeated failings related to health and safety, labour relations or diversity and equal opportunities.**
Human rights	Companies can have significant negative impacts on human rights, either directly as a result of their own operations or indirectly, e.g. through supply chains, business partnerships and the use of products. While issues may arise in any location, the risks are greatest in jurisdictions with low levels of civil and political liberties and/or high levels of bribery and corruption. **The fund shall exclude companies:** — **Involved in serious or repeated breaches of international human rights standards, including direct use of child, forced or bonded labour.** — **Operating in high-risk locations without implementing appropriate controls for the management of potential human rights risks.**

The positive sustainability criteria

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 the 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.

Greenbank has mapped the SDGs to a set of eight sustainable development categories and a number of underlying sub-categories.

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

Decent work

Includes organisations that are supporting the quantity and quality of jobs through the products and services they provide. Also includes organisations that are operationally aligned with the theme and support positive impacts via their policies, business strategies and management of their own employment practices.

Resource efficiency

Includes organisations that are supporting the sustainable use of Earth's resources through the products and services they provide. It also includes organisations that are operationally aligned with the theme and support positive impacts via their policies, business strategies and management of their own resource use.

Habitats and ecosystems

Includes organisations that are helping to preserve land, water and marine habitats and biodiversity.

Inclusive economies

Includes organisations that are promoting access to basic services and supporting a more inclusive society through the products and services they provide.

Energy and climate

Includes organisations that are supporting positive climate action and energy security through the products and services they provide. Also includes organisations that are operationally aligned with the theme and support positive impacts via their policies, business strategies and management of their own environmental impacts.

Health and wellbeing

Includes organisations that are supporting physical and mental wellbeing, or helping to prevent injuries and deaths, through the products and services they provide.

Resilient institutions

Includes organisations that promote peace, justice and the rule of law through the products and services they provide. It also includes organisations that are operationally aligned with the theme and support positive impacts via their policies, business strategies and management of their own human rights impacts.

Innovation and infrastructure

Includes organisations that are supporting environmental sustainability or human wellbeing through the products and services they provide. Organisations in this theme can often play a facilitating role in creating the environment or infrastructure needed for other organisations to deliver positive impact.

Operational alignment

Our focus is on three principal areas of operations: employment, environment and human rights. Businesses under consideration are expected to exhibit positive action in at least one of these areas. We view this as a **minimum threshold** with regard to how the company operates. However, if a company is to be aligned to one of the eight Greenbank categories based on operational alignment alone, it must display positive action which is well developed and leading across several of their operations – beyond this minimum threshold.

Operational alignment with sustainable development

Issue	Attributes of good practice	Sustainable development category
Employment	– Investment in staff training and development. – Good relationships with unions and other employee representative bodies. – Commitment to workplace communication and employee engagement; evidence of responsiveness to staff concerns. – Strong safety performance (both over time and relative to peers) and commitment to staff wellbeing. – Payment of wage rates above statutory minimums. – Good performance with regard to workplace diversity at all levels of the business. – Provision of flexible working arrangements.	Decent work
Environment	– Detailed environmental policy covering all operations, with clear guidance on its application. – Board-level oversight of environmental policy and integration of environmental considerations into business decisions. – Strong performance with respect to impact areas such as greenhouse gas emissions, and energy and resource consumption (both over time and relative to peers). – Commitment to working with suppliers and other partners to improve their environmental performance. – Innovation in products and business processes to reduce 'cradle-to-grave' impacts.	Resource efficiency Energy and climate
Human rights	– Detailed human rights policy covering all operations, with clear guidance on its application. – Board-level oversight of human rights policy and its implementation. – Recognition of international human rights guidelines and principles. – Commitment to community engagement and consultation, and operation of appropriate grievance mechanisms. – Awareness of specific risks associated with different business activities, geographies or operating environments.	Resilient institutions

For example, within environmental operational alignment, the following activities and commitments can signify a possible operational link:

– Net zero commitments and evidence of progress.

– 100% renewable energy sourcing (or high proportion of energy from renewable sources with clear pathway set out to increase this).

– Comprehensive and detailed disclosure.

Activity alignment

We require companies to have significant involvement in the provision of products or services aligned with sustainable development. Essentially, we are asking whether companies are allocating capital in alignment with one or more of these categories, and if this practice is central to their business models.

This creates a clear overlap between Rathbone Funds' investment process, which is highly motivated by how businesses allocate capital for long-term value creation, and Greenbank's sustainable investment disciplines. This is where capital deployment is examined through the lens of sustainable development.

As sustainable investors, we are seeking companies and entities whose activities are aligned with the SDGs. We want to engage with, and invest in, companies that are making positive contributions in areas that fall within our eight sustainable development categories. For example, companies that operate in the renewable energy sector would likely align with our energy and climate criteria, while firms that provide water and sanitation in developing countries would likely meet our innovation and infrastructure requirements. Examples of activities aligned with sustainable development include:

Activity alignment with sustainable development	Sustainable development category
Major environmental sustainability challenges include climate change, resource scarcity, water security, biodiversity and ecosystem loss. Activities, products and services include (but are not limited to): – Manufacture, installation or operation of renewable or low-carbon energy infrastructure. – Industrial or domestic products or services enabling cleaner or more efficient use of energy and resources. – Promotion of the circular economy through sustainable waste recovery and recycling services, or the manufacture of products with lower lifecycle impacts. – Services or technologies to control emissions or the discharge of pollutants to land, water, or air.	Energy and climate Resource efficiency Innovation and infrastructure Habitats and ecosystems Health and wellbeing Inclusive economies
Major social development challenges include inequality, demographic change, urbanisation, access to nutrition, healthcare and other basic needs. Activities, products and services include (but are not limited to): – Provision of basic needs, such as educational products and services, water and sanitation, sustainable and public transport, or affordable housing. – Products and services that help to prevent avoidable deaths and support the ability of individuals and communities to lead healthy lives. – Products and services meeting the needs of underserved or conventionally excluded groups. – Technology and innovation that supports economic development and human well-being.	Inclusive economies Innovation and infrastructure Decent work Resilient institutions

Government bonds

Government bonds

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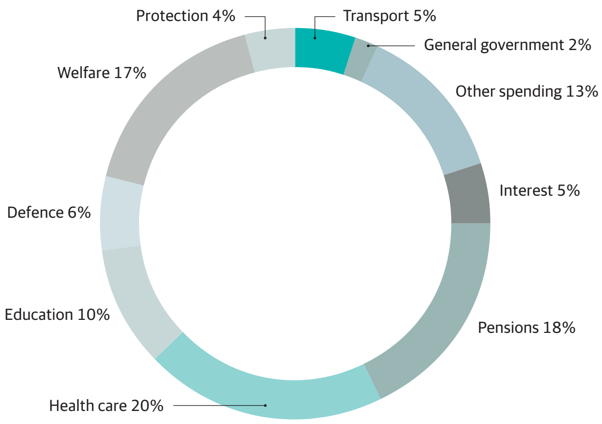
Government bonds have historically been an area of debate for sustainable investors because the majority of bond-issuing countries devote some of their budgets to military spending and generate tax revenues from controversial industries such as tobacco and alcohol. However, we believe this needs to be considered alongside the significant positive impact that many governments have on the environment and society. This may be through policies, regulations and subsidies designed to protect the environment, or the significant proportion of spending devoted to education, welfare, healthcare, etc.

Nearly half of the UK government's budget is spent on education, welfare, healthcare, justice and emergency services, with a further 18% going towards pension income (in 2021). The government also channels funding towards community development and protection of biodiversity and the environment, which aligns with the sustainable development theme. By contrast, defence spending is just 6% of the budget.

UK government spending for the full year 2021



Source: https://www.ukpublicspending.co.uk/uk_total_spending_pie_chart

Nevertheless, governments are not automatically deemed to be acceptable and, for us to invest in their bonds, they must meet at least three of the following four criteria:

- **Civil and political freedom:** The country must respect people's right to political and civil liberty. We use sources such as the *Freedom in the World* report by the non-governmental organisation Freedom House (freedomhouse.org) to benchmark countries on issues such as electoral process, functioning of government, freedom of expression and belief, rule of law and individual rights.
- **Corruption:** The country must meet high standards regarding bribery and corruption.

We use sources such as Transparency International's *Corruption Perception Index* to assess the risk of public sector corruption in different countries.

- **Defence:** The country must not exceed the global average on military expenditure as a proportion of GDP, calculated on a three-year rolling basis.
- **Climate change:** The country must be committed to reducing its contribution to climate change. We use sources such as the Climate Change Performance Index and Climate Action Tracker to assess effectiveness of climate change policy, alignment with decarbonisation pathways and progress in reducing emissions.

Sustainability bonds

Sustainability bonds

Green bonds, social bonds, sustainability bonds, or similar bonds where the proceeds are used to achieve a positive environmental or social objective, may be eligible for inclusion in the funds. Each is subject to the usual sustainability criteria applied to the issuer as described previously in Equities and corporate bonds section on page 8.

If the corporate issuer itself does not pass our positive and negative screens, a bond may still be approved for inclusion in the funds on the merits of how the bond's proceeds will be used, rather than the issuer's principal activity. In these cases, we will only invest if the proceeds are clearly ring-fenced and used only for a specific social or environmental purpose that materially reduces or offsets the parent company's exposure to the issue that resulted in its original exclusion.

As an example, a green bond issued by an electricity company, which would ordinarily be rejected due to the company's significant involvement in the nuclear power sector, could be considered for inclusion if the proceeds of the bond are used to reduce or offset the company's exposure to nuclear energy through funding a renewable energy project.

When analysing a ring-fenced bond against our criteria, we will look at:

- The issuer's green/social financing framework and whether an independent second party opinion on this has been sought (what the proceeds of the bond can be used for).
- The processes in place to govern ongoing management of proceeds from the bond (how certain can we be that the money will be used as intended).
- Full transparency on the use of proceeds through regular reporting, ideally with third party verification and reporting on impact in addition to allocation of funds (what was the money used for and what benefit did it create).
- Whether the funding is transformational for the issuer or part of 'business as usual' with a green/social label (would the activity have occurred anyway).

Greenbank will also take into consideration whether the financing framework is aligned to an external standard, which can include, but is not limited to, the International Capital Market Association's Green Bond Principles and the Climate Bonds Initiative's Climate Bonds Standard and Certification Scheme.

Commodities

Commodities

Investors have indirect exposure to commodities through the activities of investee companies. For example, battery manufacturers require lithium, many food producers have exposure to palm oil, and aluminium is used in everything from trains to power transmission networks to buildings. Such exposure is assessed as part of our analysis of an organisation's sustainability performance.

Investors can also take more direct exposure to commodities to help generate returns and provide diversification to portfolios. This is done typically through investment vehicles (usually ETFs/ETCs) that either employ derivatives or buy the underlying asset (physically backed) to gain the necessary exposure. This section outlines the funds' sustainability criteria with respect to this form of investment in commodities.

The funds:

- will not invest in fossil fuel commodities due to their impact on climate change
- may invest in other commodities, subject to specified sustainability criteria

Direct exposure to non-fossil fuel commodities will only be permitted if the following conditions are met:

- Transparency around the commodity's supply chain, with third party audit or other form of verification.
- Strong processes to ensure high social and environmental standards across the supply chain.
- No evidence of significant issues regarding labour rights, human rights or environmental degradation across the supply chain.
- Evidence of positive alignment with sustainability, for example local co-operatives involved in production, thereby helping to create sustainable and equitable economic growth.
- In the case of soft commodities, there is no link to food price speculation.

In practice, these requirements may result in all direct commodity investments being excluded from the funds. However, we do believe that an investment that meets the requirements set out above could have a place in a sustainable portfolio and therefore we have not excluded the asset class outright.

Property

Property

Open ended funds are not eligible for these funds under UCITS rules.

REITs are eligible and will be subject to the same sustainability criteria as equities and corporate bonds.

Collectives

Collectives

We will not compromise our sustainability criteria for any holding in the funds. When we invest in collectives, the underlying long credit or equity exposure must meet the same criteria as any other holding in our funds. Therefore, we will only access collectives if we can view all of the underlying holdings to ensure that they meet our sustainability criteria.

In practice this means we are unlikely to have significant exposure to collectives.

Structured products

Structured products

The following criteria apply to the fund's use of structured products:

- With regard to the underlying exposure of the products, any underlying long credit or equity exposure must meet the same criteria as any other equity in the funds.
- Exposure to rates, volatility and foreign exchange are deemed acceptable.
- Exposure to structured products that provide short exposure to equity and credit (used for hedging purposes) are deemed acceptable.

In addition, when we use structured products, the counterparty that provides the product must meet the same criteria as any other investment in the funds.

The exception to this will be where, like ring-fenced green or social bonds, approval may be granted in the context of the specific use of proceeds rather than the issuer's principal activity. This would only be where proceeds are intended for a specific social or environmental purpose and where the following conditions are met:

- Identifiable use of proceeds.
- Third party validation.
- Ongoing monitoring.
- Full transparency through regular reporting.

Corporate Stewardship

Rathbone Funds strives to adhere to the principles and spirit behind the Stewardship Code, Principle 4, which states:

> "For investors, stewardship is more than just voting. Activities may include monitoring and engaging with companies on matters such as strategy, performance, risk, capital structure, and corporate governance, including culture and remuneration. Engagement is purposeful dialogue with companies on these matters as well as on issues that are the immediate subject of votes at general meetings."

Mindful of our responsibilities to our clients, we seek to be good, long-term stewards of the investments which we manage on their behalf.

We believe it is in the best interests of our investors for the companies in which we invest to adopt best practice in their ESG policies.

Our responsible investment principles

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

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

Voting with purpose
We actively vote across all 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.

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.

Rathbones’ Internal Voting Committee

Proxy voting policy

We approach each company meeting on a case-by-case basis, using a combination of established best practice for each market and knowledge of the particularities of each company to reach a decision.

Primary governance goals as expressed in our 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 long-term 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 they should demonstrate the following key features:

- Be led by an independent chairman.
- The chairman 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 adequate attempts to address the level of gender diversity.
- Develop clear and fair remuneration arrangements which incentivise shared value creation.
- 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 observe emerging trends in the area. Standards naturally vary by market and, while recognising this, we will also encourage the adoption of global best practice. In order to ensure that our policy remains fit for purpose, we make sure that it is reviewed against benchmark standards and principles and updated accordingly on an annual basis.

Sustainability overlay

In addition to the policy and process outlined above, the Rathbone Greenbank Multi-Asset Portfolios (RGMAPs) also follow a sustainability voting policy when making proxy votes on the holdings in the funds. The funds subscribe to the ISS Sustainability Voting Policy as standard for all holdings. These guidelines are "consistent with the objectives of sustainability-minded investors and fiduciaries".

The ISS Sustainability Voting Policy takes as its frame of reference internationally recognised sustainability-related initiatives and provides an additional layer of accountability in relation to the sustainability impact of the RGMAP. It helps to align voting on fund holdings with the values of the funds.

Under the policy the funds will, as a default position, vote in favour of social and environmental proposals that seek to promote good corporate citizenship, while enhancing long-term shareholder and stakeholder value.

Engagement

In addition to voting activity, the funds will benefit from Greenbank's experience and expertise in engaging with organisations on a broad range of sustainability issues.

The funds will use engagement to:

– signal to the market that ESG risks and sustainability issues are of importance to investors

– address direct concerns about a specific company issue or area of performance

– encourage best practice, giving internal momentum for positive change within companies

– raise awareness of sustainable development themes and how they may impact investments.

In engagement activities, we seek open and constructive dialogue in the spirit of longer-term partnership and believe that engaging in depth on a narrower range of issues is the best way of maximising the positive impact of its activities.

Engagement methods range from informal dialogue and meetings to more formal methods such as tabling Annual General Meeting resolutions. We aim to be supportive but stretching in our dialogue with organisations and will escalate activity if we feel that agreed objectives are not being met within a reasonable timeframe.

In addition to engagement with specific fund holdings as required, the fund managers and Greenbank may collaborate on broader thematic engagement activity covering issues such as food sustainability, biodiversity and climate change.

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Authorised and regulated by the Financial Conduct Authority

A member of the Investment Association

A member of the Rathbone Group. Registered No. 02376568

Rathbones
Look forward

Important information

Any views and opinions are those of the investment manager, and coverage of any assets held must be taken in context of the constitution of the fund and in no way reflect an investment recommendation.

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We are covered by the Financial Services Compensation Scheme.

The FSCS can pay compensation to investors if a bank is unable to meet its financial obligations. For further information (including the amounts covered and the eligibility to claim) please refer to the FSCS website fscs.org.uk or call 020 7892 7300 or 0800 678 1100.

Unless otherwise stated, the information in this document was valid as at 26 May 2021. Not all the services and investments described are regulated by the Financial Conduct Authority (FCA). Rathbone Brothers Plc. Is independently owned, is the sole shareholder in each of its subsidiary businesses and is listed on the London Stock Exchange.

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