Portfolio ethical & sustainability characteristics
Imperial College Union
28 February 2019

There are many different terms used to describe responsible, sustainable and impact investment approaches, with no universally accepted definition or terminology for each.

We have adapted our definitions of different types of investment from the taxonomy outlined in Bridges Spectrum of Capital.

Fundamental to our approach to investment is our belief that companies demonstrating strong social and environmental management and good corporate governance, whilst also providing products and services that meet the needs of a changing world are likely to be good long term investments.

We are active across the four categories above of Responsible, ESG/Sustainability Leadership, Thematic, and to a lesser extent Impact First. We primarily manage portfolios which are a blend of different approaches, encompassing elements of these four categories.

In practice, we consider the boundaries between the different approaches to be gradual rather than clearly delineated.

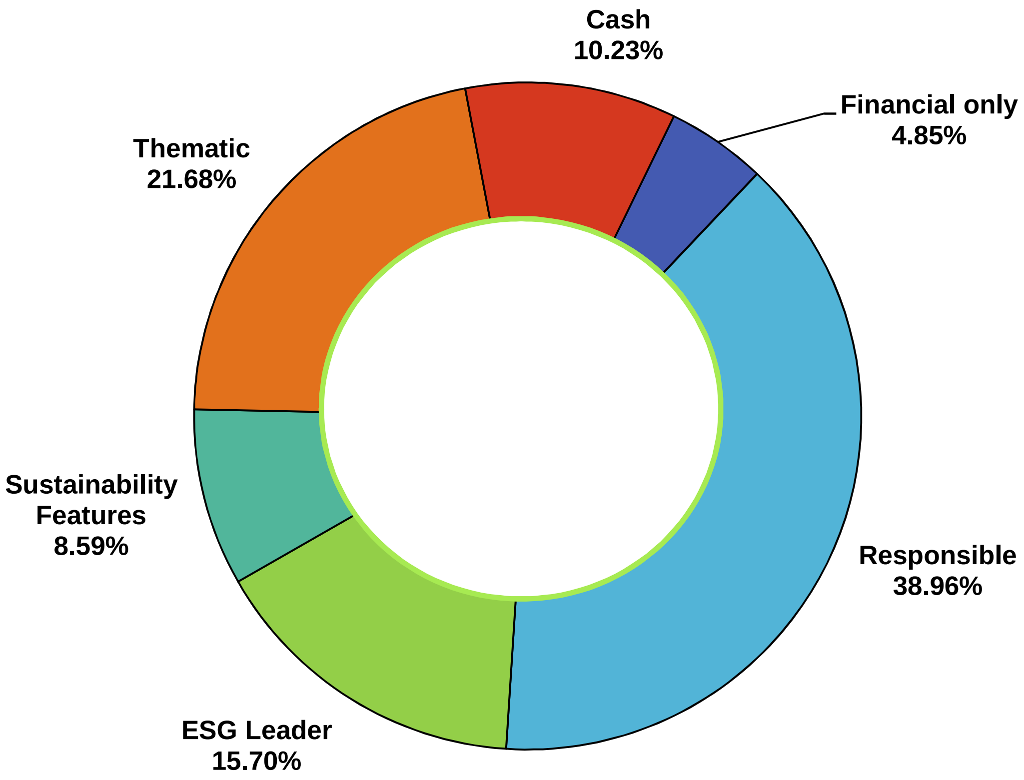
Portfolio by investment type

Using the above framework, we have categorised the portfolio holdings based on whether their positives are primarily ethical (Responsible, ESG Leader) or linked to sustainability (Sustainability Features, Thematic).

Holdings classified as 'Financial only' have no clear positive ethical or sustainability attributes, and may or may not have negative attributes. We also classify government bonds within this category.

<u>Note</u>: Across all categories, we expect investments to deliver market rate financial returns. Those holdings classified as Responsible, ESG Leader, Sustainability Features or Thematic deliver social, environmental or sustainability returns *in addition to* financial returns.

It is only within the category of 'Impact First' investing that some trade-off between financial and social/environmental returns is accepted.

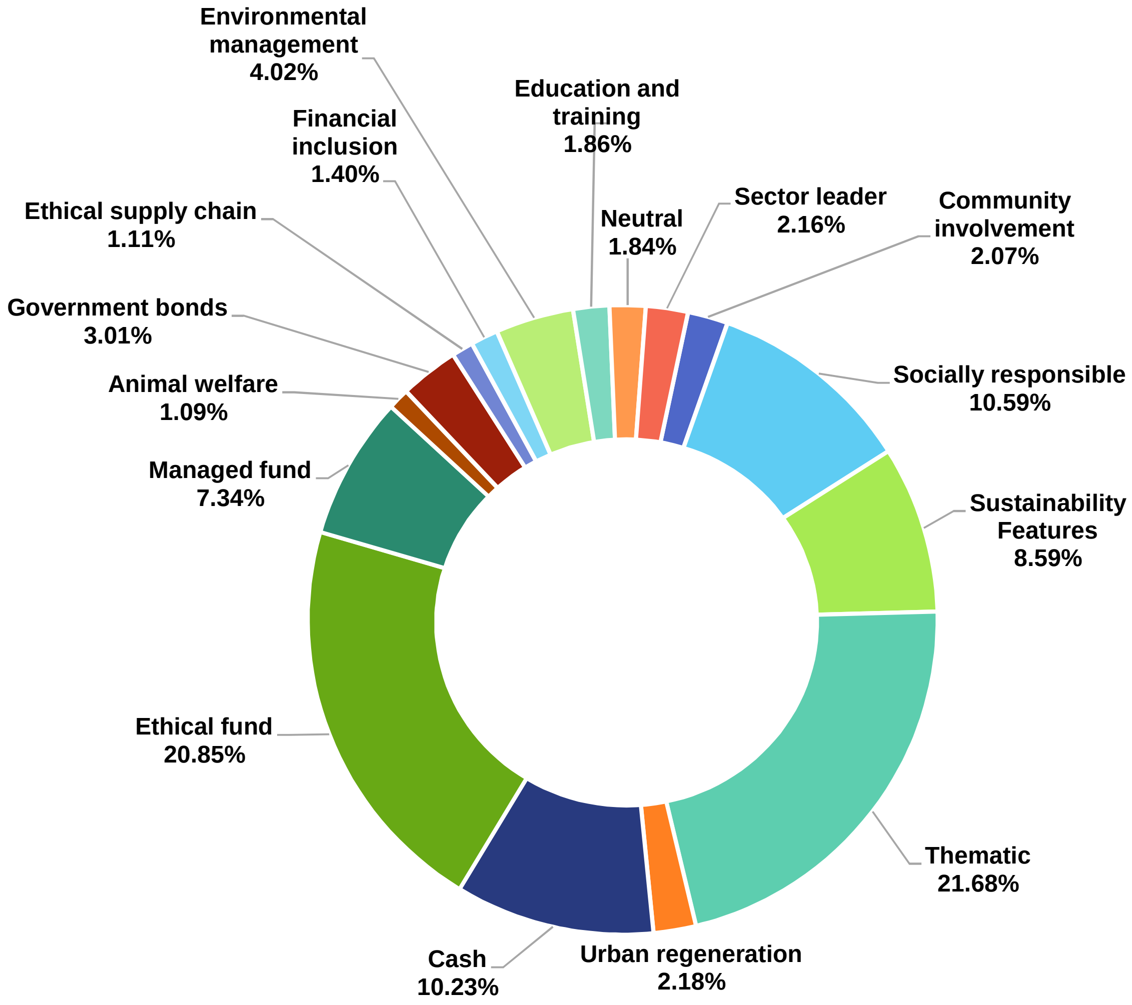


Portfolio ethical characteristics

69.73% of the portfolio is classified as ESG Leader, Responsible, Financial Only and Cash.

These holdings are not directly linked to sustainability solutions via the products and services they provide. However, many have significant positive attributes associated with the way in which they operate, for example employment practices, environmental management or supply chain oversight.

Below, we set out the primary ethical attributes for this section of the portfolio.

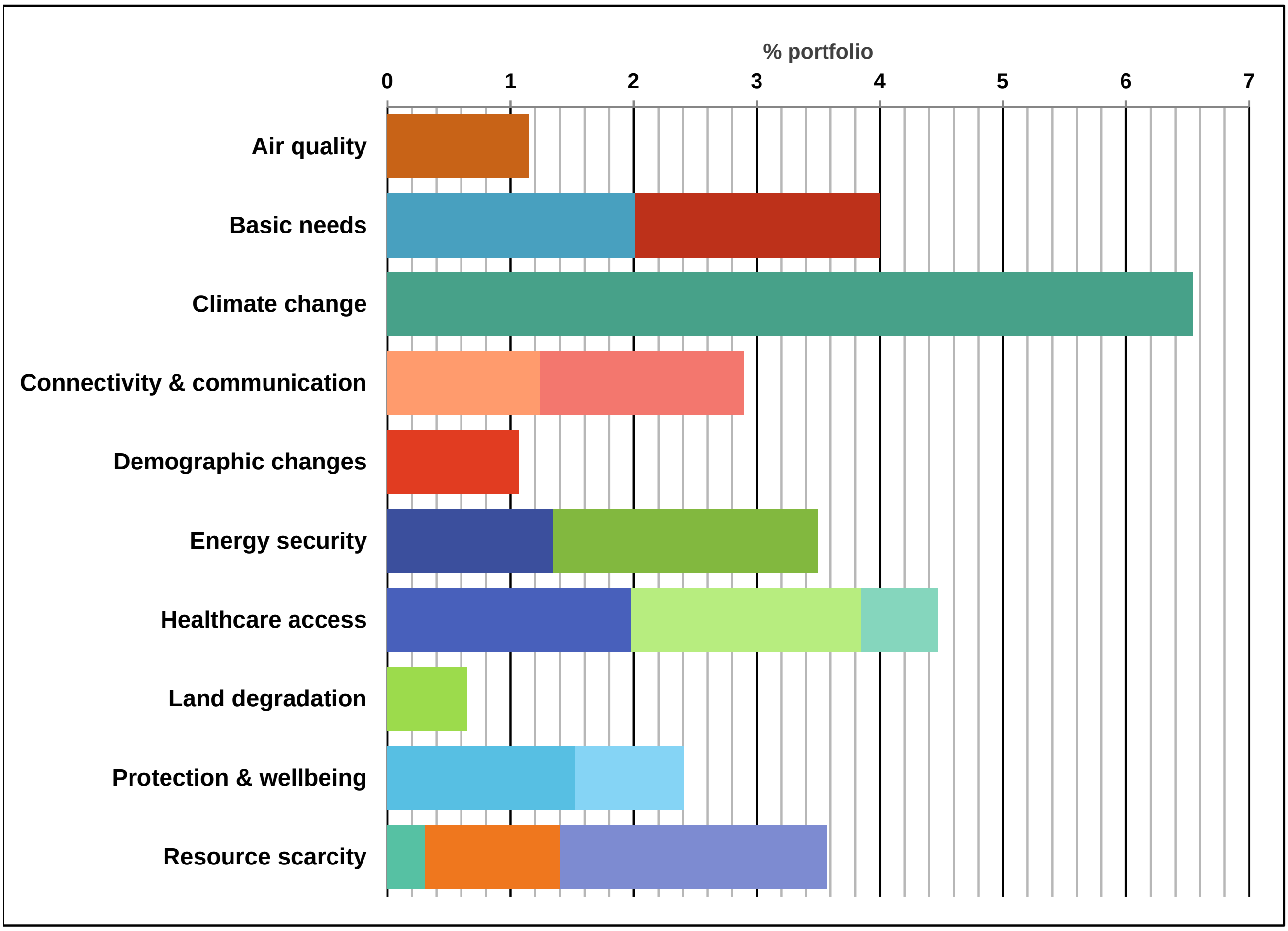


Portfolio sustainability attributes

The positive element of Rathbone Greenbank's ethical research process recognises key global sustainable development trends and seeks to identify investable companies with exposure to these.

Below, we show the percentage of the portfolio which is invested in holdings addressing these challenges, further broken down by the nature of the solution offered. For example: companies responding to the challenge of climate change may be involved in renewable or low-carbon energy, or the provision of other mitigation solutions; companies responding to the challenge of inequality may be providing support for minority or conventionally excluded groups, or promoting financial inclusion.

This analysis covers the 30.27% of the portfolio classified as Sustainability Features, Thematic or Impact First.



The table overleaf acts as a key to the chart.

For each bar of the chart (representing a challenge), the table shows the corresponding detail on exposure to particular solutions. The segments of each bar - left to right – appear in the same order as the table, read from top to bottom.

Many companies provide solutions to more than one challenge, but this chart shows only the primary challenge to which a company is linked in order to avoid double-counting.

Rathbone Greenbank Investments
Dedicated to ethical and sustainable investment

Portfolio sustainability attributes - chart key

	% Portfolio
Air quality	**1.15**
Screening & filtering technologies	1.15
Basic needs	**4.00**
Infrastructure for sustainable development	2.01
Social & affordable housing	1.99
Climate change	**6.55**
Renewable or low-carbon energy development	6.55
Connectivity & communication	**2.90**
Innovation in IoT or remote services for environmental benefit	1.24
Innovation in IoT or remote services for social benefit	1.66
Demographic changes	**1.07**
Products & services to serve growing elderly population	1.07
Energy security	**3.50**
Energy efficiency	1.35
More efficient energy distribution	2.15
Healthcare access	**4.47**
Improving access to pharmaceuticals or healthcare infrastructure in LDCs	1.98
Pharmaceuticals & healthcare provision	1.87
Improved access to, or affordability of, medical technology	0.62
Land degradation	**0.65**
Remediation of contaminated land	0.65
Protection & wellbeing	**2.41**
Products & services helping to prevent avoidable deaths & support ability to lead healthy lives	1.53
Safety equipment	0.88
Resource scarcity	**3.57**
Improved waste recovery & recycling	0.31
Circular economy, product stewardship & industrial ecology	1.09
Materials or products that enhance resource efficiency in manufacture & use	2.17
Grand Total	**30.27**

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Corporate engagement – Q4 2018

Summary of engagement activities undertaken by Rathbone Greenbank during the period October to December 2018.

Issues

SDG alignment	Engagement activity
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	**Plastic waste** Rathbone Greenbank has endorsed The New Plastics Economy Global Commitment, launched in October by the Ellen MacArthur Foundation in collaboration with UN Environment. The Global Commitment is framed around a common vision for a circular plastics economy. This recognises the need to eliminate unnecessary plastic packaging through redesign and innovation, while seeking to ensure that all the plastic we do need is 100% reusable, recyclable or compostable – not just in theory but in practice. By endorsing the commitment, we signal investor concern regarding this issue and will continue to encourage the companies in which we invest to move from linear 'take-make-dispose' models of resource consumption to more circular ways of doing business.
13 CLIMATE ACTION	**Climate policy** Rathbone Greenbank supported several major climate policy interventions in the period. Firstly, in November 2018 we supported a letter to the leaders of the G20 countries, calling for them to set out clear plans for meeting a pledge to end fossil fuel subsidies, to accelerate green investment and reduce climate risk. In December we supported a statement encouraging the acceleration of efforts to move towards a zero-carbon Europe by 2050, ahead of the COP24 climate change talks, whilst also supporting a joint letter sent to European utility companies calling for the phase-out of coal in power generation by 2030.
13 CLIMATE ACTION	**Corporate climate lobbying** In October 2018 Rathbone Greenbank formally endorsed a new set of investor expectations on corporate climate lobbying. BMW, BP and steelmaker ArcelorMittal are being targeted by the supporting group which totals over $2 trillion of assets under management. Our concern is that large companies are publicly aligning themselves to the goals of the Paris Agreement while acting differently behind the scenes, often through trade associations. Such misleading and misaligned corporate lobbying practices undermine the ability of governments to act on climate change. We expect a number of shareholder resolutions on the topic in 2019.
15 LIFE ON LAND	**Deforestation** As part of our ongoing work on deforestation linked to so-called forest risk commodities (timber, soy, palm oil and beef), we supported a joint statement on the risks associated with companies' sourcing of soy. This statement calls for: better supply chain monitoring; companies to establish formal responsible sourcing policies that are commodity-specific and to set targets for implementing these; better disclosure of progress in moving towards responsible sourcing. It will be used as a framework for future engagement on this issue.

N.B. We do not necessarily invest in all companies with which we engage on behalf of clients; reference to a company here does not necessarily indicate an underlying holding, nor does it reflect the scale of our investment in these companies. Please contact us if you would like more information on any of our engagement projects.

Companies

SDG alignment	Engagement activity
14 LIFE BELOW WATER	**Equinor** We began dialogue with the company (formerly known as Statoil) over plans to develop potential oil resources in the Great Australian Bight. Equinor has stepped in where Exxon and BP have pulled out, taking on full responsibility for a risky and controversial project. Over 13 local councils in Australia have opposed drilling for oil in the Bight, citing the potential impact on wildlife and coastal communities in the event of a spill. In December 2018 the company announced that it would not drill in 2019, and would take more time to work with regulators on aspects of its preparations. However, we advocated strongly that the company re-consider its involvement entirely.
13 CLIMATE ACTION	**Royal Dutch Shell** In December 2018 the group stated that it would set carbon emission targets and link to executive pay. The Anglo-Dutch company has made the move after pressure from investors, led by asset manager Robeco and the Church of England Pensions Board. Rathbone Greenbank has played an important role in this engagement over the years. The move sees the company make firm its previously vague ambition to align its business model to the goals of the Paris Agreement.
2 ZERO HUNGER	**Unilever** We met with representatives of Unilever's nutrition team as part of a collaborative engagement focused on the Access to Nutrition Index (ATNI). We discussed Unilever's targets and progress to date on removing salt, sugar & saturated fat from its products, plus newer initiatives to improve positive nutrition via fortification and consumer education. We explored reasons for differences between ATNI and Unilever analysis of the nutritional profile of product portfolios and encouraged tightening of Unilever's policies on marketing to children.

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