RATHBONES

OUR ENGAGEMENT PLAN FOR 2025

IN SHORT

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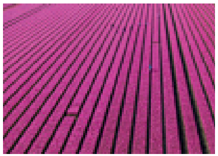
This report is a condensed version of our engagement plan. Please visit our website for the full version.



Cover image: people working in tulip fields in North Holland, The Netherlands

Our engagement plan for 2025

The how, why and what

At Rathbones, we believe in keeping up a dialogue with the companies we invest in, to create value for our clients.

Engaging with companies helps us understand how they handle important environmental, social, and governance (ESG) issues. This can improve our investment decisions by giving us more information. It can also encourage better business practices at the companies we invest in. That could reduce the risks faced by our clients.

Sometimes we join forces with other investors or organisations to address bigger ESG concerns. This is known as 'collaborative engagement'.

We always try to engage amicably with companies. But if discussions don't lead to progress, we may escalate. For example, by voting against the board on a subject at the next annual general meeting (AGM).

As a next step, if we believe a problem could harm the long-term value of a company and isn't being managed, we're prepared to reduce our holdings or sell out of the company altogether.

How we choose engagements

We don't have unlimited resources, so we have to decide which companies to engage with – and on what. We think about:

Exposure. We focus on companies where we have a significant investment.

Severity. We prioritise issues that pose serious risks to our clients' investments.

Location. We engage directly when we understand the local rules and context.

Expertise. We target areas where we have strong knowledge.

We stay flexible, addressing new issues as they arise, such as a company's actions in response to global events or challenges in emerging technologies. But every year, we do set specific ESG priorities to focus on, beyond our regular engagements.

> **"Engaging with companies helps us understand how they handle important environmental, social, and governance (ESG) issues**

Our engagement issues for 2025

We've divided these into 'priority' and 'secondary'.

For priority issues, we aim to play a leading role in shaping the overall direction and strategy of our engagements. These issues tend to be 'material' to the investments we hold for clients – they could affect the value of these investments.

They're often 'systemic' issues. This means they present risks that may impede the healthy functioning of society, ecosystems and the economy – and so may affect the prospects for investment risk and return.

For these wide-ranging, systemic problems, collaborative engagement can be beneficial. However, we can also engage directly with companies, using our influence to encourage change for the better.

With secondary issues, we aim to play an active role in helping to achieve objectives on material issues that match our clients' interests. But we may play a lesser role in setting the strategy. Generally all of these engagements are collaborative.

> **For priority issues, we aim to play a leading role in shaping the overall direction and strategy of our engagements**

Our priority issues: the environment

Climate change: net zero

To reduce climate change, the global economy needs to reach net zero carbon emissions by 2050. This involves balancing the release of greenhouse gases into the atmosphere by absorbing or avoiding an equivalent amount. Rathbones has set its net zero target for that year. This means net zero not just in our own operations but also for companies in our clients' portfolios. Climate change is a significant risk to our investment portfolios. The physical effects of climate change could hit the revenue and damage the assets of many companies we invest in. Moreover, companies could be left with devalued assets because of a fall in demand for fossil fuels or tighter regulation in response to climate change.

Water

There's increasing pressure on water resources – and this could become a significant risk to economies and societies. For example, global freshwater demand is expected to outstrip supply by 40% by 2030, according to the Global Commission on the Economics of Water. We're joining other investors engaging with technology companies, as part of the Valuing Water Finance Initiative. This asks companies that use a lot of water to meet the initiative's demands in several areas by 2030. An example is 'Water Quantity': "Companies do not negatively impact water availability in water-scarce areas across their value chain."

Nature and biodiversity

Nature supports all systems of life on Earth, making it fundamental to economic stability and development. Economies also benefit from a wide variety of living things – strong biodiversity. Companies rely on nature for resources and 'ecosystem services', the services nature provides that benefit companies. These include pollination, keeping water flows steady, and medical treatments that originate from plants.

We're calling on companies to assess how they depend on nature and biodiversity, the impact they're having on it and the risks they face from its loss.

We'll continue engaging with companies through membership of a global investor coalition, Nature Action 100 (NA100). We also include nature and biodiversity in our stewardship more generally.

Our priority issues: society

Modern slavery

In 2021, at least 50 million people were trapped in modern slavery around the world (see page 12 for more details). We believe UK businesses have a critical role in addressing and preventing modern slavery, which damages the economies that the businesses we invest in depend on. Section 54 (S54) of the groundbreaking UK Modern Slavery Act 2015 requires businesses to publish a statement setting out steps taken to ensure modern slavery isn't in their businesses or supply chains. We launched our Votes Against Slavery engagement initiative in 2020, where investors taking part commit to vote against a company's annual financial statement and report if it fails to meet the demands of S54.

Sustainability in mining

The transition to a low-carbon economy relies heavily on minerals and metals, which are essential to renewable energy technology. But unsustainable mining can lead to significant environmental and social harms, undermining the sector's ability to support the transition to a low-carbon economy. Through our involvement in the Global Investor Commission on Mining 2030, we'll concentrate especially on the industry's response to social risks – risks to workers and to the wider community. The Commission will consult with companies on the development of a standard for socially responsible mining, and press investors to meet this standard. However, it will also look at environmental issues, including climate change and biodiversity.

Our priority issues: governance

Investment companies

Good corporate governance can create shareholder value. It does this by improving and sustaining performance, while reducing the risks that a company faces as it seeks to create sustainable growth over the medium to long term.

The Association of Investment Companies published a revised Code of Corporate Governance in 2024. We're encouraging investment companies to comply. But we'd also like them to go above and beyond the Code on issues such as diversity on boards, how long directors should sit on them, and their fees. Another issue is over-boarding, where directors sit on so many boards that there's a risk they can't devote enough time to each board position.

Our secondary engagement issues

Deforestation
Forests regulate ecosystems, protect biodiversity, support livelihoods, and take carbon dioxide out of our atmosphere. Companies that engage in or benefit from deforestation, in sectors such as food, agriculture and mining, could create risk to their businesses if policymakers and investors respond.

Social inequality
Social inequality could make financial systems more vulnerable – for instance, by putting low-income households more into debt. It can also depress the growth rate of economies – for example, by depriving poor people of the means to fund their education.

UK energy market
Reform of the UK energy market is needed to support the economy's transition to net zero carbon emissions.

Reviewing 2024

What did we do?

Climate change: net zero

- Wrote to 40 companies about net zero
- 36 responded
- Held meetings with 15
- These meetings were largely positive: companies generally showed they were putting in the groundwork for reducing emissions over the long term

Nature and biodiversity

- Endorsed PRI Spring, an initiative to prevent biodiversity loss to protect investors' long-term interests
- Met companies targeted by NA100
- Established Rathbones Climate Change and Nature Working Group

UK energy market reform

- Working with non-governmental organisations (NGOs), other investors and companies, we sought to establish a common set of engagement demands covering grid readiness for net zero and addressing bottlenecks in connecting renewable energy projects to the grid
- The Conservative government adopted the changes we were asking for; but the July arrival of a Labour government changed circumstances – the Labour administration had a more ambitious plan, which reduced the need for investors, NGOs and others to encourage change in Whitehall
- Jointly signed a letter addressed to key figures in the UK energy system, calling for better support for battery storage companies

Modern slavery

- Through our Votes Against Slavery engagement initiative, we encouraged UK companies to comply with UK law by properly disclosing steps taken to prevent modern slavery
- 105 out of 158 companies targeted were compliant by the end of the year
- We met 15 of the companies that became compliant
- The number of investors involved in Votes Against Slavery rose to 154, up from 132 in 2023

Mining

- Explored ways of influencing mining companies on sustainability while we waited for Mining 2030 to make progress
- Several new approaches to consolidating standards in the industry appeared in 2024; we wrote to all mining companies we had major investments in, calling for them to adopt meaningful ESG standards for their operations

Corporate human rights

- Corporate human rights includes the rights of workers in companies and their supply chains, as well as the impact of companies on customers and communities
- Encouraged companies to follow best practice on human rights; sent letters to a target list of 12 companies in February
- 11 responded
- Held meetings with six

Smaller company governance

We concentrated on three areas of the relevant Corporate Governance Code where we thought companies could improve ahead of their 2024 AGMs. We wanted them to:

- make all directors subject to annual re-election
- have remuneration committees (which set executive pay) filled by independent directors free from potential conflicts of interest, including the chair
- give shareholderss an annual vote on management's pay arrangements.

What happened?

- 42 companies responded in full
- 25 committed to making changes then or by the 2025 AGM
- Eight were reviewing the Code further before committing to make changes
- Six required monitoring, with a likely need for further engagement

2024 case studies

Net zero: BP

What's the issue?

BP had one of the most ambitious strategies for reducing carbon emissions of any of the oil and gas majors we invested in. But we still had concerns that this UK company wasn't aligned with the 2015 Paris Agreement on climate change. This requires progressive reductions in emissions, and ultimately to net zero by 2050, to keep global warming below 1.5°C. There isn't yet an industry standard to independently validate that the net zero transition plans of fossil fuel companies are aligned with the Paris Agreement. This means oil and gas companies have in effect been able to mark their own homework: self-certifying their alignment.

Addressing climate change is in our clients' interests because rising temperatures are likely to hit the income and assets of many companies we invest in.

What did we do?

We discussed our misgivings with BP's investor relations team. They explained why they believed BP's strategy was in alignment with the Paris Agreement. They also talked about the challenges of cutting emissions, such as the slow expansion of the hydrogen sector. BP also discussed its investment in a carbon capture and storage (CCS) project, a way of preventing carbon emissions from industrial processes getting into the atmosphere, in Teesside. This is a deprived and largely deindustrialised part of England, so BP argued that its involvement in CCS was also an investment in the 'just transition': protecting people from being made poorer by the move to net zero. In October, the UK government pledged support for the Teesside project.

What happened?

After our meeting, the news agency Reuters reported that BP had abandoned its plans to cut oil and gas output by 2030. This followed pressure from large shareholders to shift its strategy back into line with some big competitors, and to move more slowly towards net zero. But we planned to keep pressing the company on this important issue.

Modern slavery: Boku

What's the issue?

At least 50 million people were trapped in modern slavery around the world in 2021, according the United Nations' International Labour Organization and other bodies. That includes 28 million in forced labour.

We believe UK businesses have a critical role to play in preventing and addressing modern slavery risk. The groundbreaking UK Modern Slavery Act 2015 sets out legal responsibilities for them. Section 54 (S54) of the Act requires companies above a certain size to publish a statement setting out steps taken to ensure modern slavery isn't in their own businesses or their supply chains.

Doing this could give investors greater confidence in the risk management culture of companies, which might make continued investment more attractive.

In conducting research at the beginning of 2024 into stocks listed on the UK's AIM market of small and mid-sized companies, we found that Boku's modern slavery statement hadn't been signed off by a director, approved by the board and published in a visible location on the homepage of its UK website. Boku is a mobile payments company based in the US but listed in London.

What did we do?

In February 2024, we engaged with the company. It responded by making welcome changes to its modern slavery statement, becoming fully compliant with S54. In May 2024, we attended the AGM to make a statement commending Boku for this. But we also used this statement to ask the chair what the board planned to do to build on this good work and ensure the company maintain the highest standards for modern slavery reporting.

What happened?

The chair thanked us for raising this issue. The company also committed to maintain the highest standards for its modern slavery reporting. We planned to review the company's modern slavery statement for 2025, to ensure that the quality of reporting had improved and that the company remained compliant with the Act's reporting requirements.

Corporate human rights: Next

What's the issue?

Addressing human rights risks in supply chains and operations isn't just a moral imperative. It also makes financial sense because it helps preserve the well-functioning supply chains that enable well-functioning companies. Every year, the World Benchmarking Alliance (WBA) scores companies in particular sectors on the quality of their human rights reporting and disclosure, under its 'Corporate Human Rights Benchmark'. In November 2023, it published scores for 110 companies in two sectors: apparel and extractives (companies that drill and mine for natural resources).

What did we do?

We wrote to 12 companies we invest in that scored poorly in this benchmark and failed to respond to the WBA's offer to discuss their scores in detail. We used our position as shareholders to try to fill in any information gaps. We also encouraged the 12 businesses to address shortcomings highlighted by the WBA. One of them was UK clothing chain Next.

What happened?

In July, we met Next's Legal and Compliance Director and its Head of Sustainability. They told us that Next itself audited conditions in the factories it used, rather than relying on a third party. This made it more confident about the information it received. Next told us it was rolling out an app that made it easier for workers in its suppliers' factories to raise grievances with Next directly. In Pakistan, for example, about 200 were raised in the first five months. Most had already been resolved. Although Next hadn't scored strongly on the WBA's Corporate Human Rights Benchmark, we finished the meeting feeling reassured that the company took human rights seriously, and had robust processes to monitor the risks.

Say on Pay: Alliance Pharma

What's the issue?

We think it's good for our clients if the companies we invest in adopt best practice in corporate governance. This provides a framework for managing each company in its shareholders' long-term interests. For this reason, we supported the newly revised QCA Corporate Governance Code. It applies to financial years beginning on or after 1 April 2024.

What did we do?

Companies on the UK's AIM market have to follow a corporate governance code. The bulk have chosen the QCA Code. In 2023, we wrote to 75 companies in our clients' portfolios that subscribed to the Code to remind them of the importance of meeting its demands. Some of these companies demonstrated strong compliance with the code, whereas others showed room for improvement.

We believe strong corporate governance can be particularly important for smaller AIM-listed businesses as they develop and mature. This helps them perform better, by reducing the risk of poor decision-making.

For Alliance Pharma, a healthcare business, we highlighted that the board had yet to give shareholders an annual 'Say on Pay' vote, as the Code says it should. Although these votes aren't binding in the UK, they give shareholders the opportunity to deliver their verdict on whether top management's pay was justified by the company's performance. For this reason, we'd abstained on the approval of the report and accounts at the 2023 AGM.

What happened?

The chair of the Remuneration Committee, which is responsible for management pay, explained that the board shared our views on striving for good governance. The chair told us that the board had decided to put the Directors' Remuneration Report to a Say on Pay vote at the 2024 AGM. We responded by supporting management on all items at this AGM. This included the Say on Pay vote, which passed.

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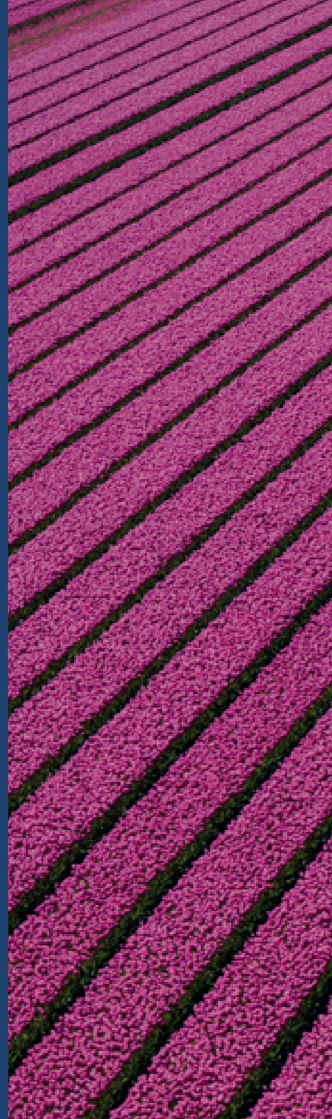

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