Responsible? Sustainable? Ethical? Impact?

Where do you stand?

Presented by:
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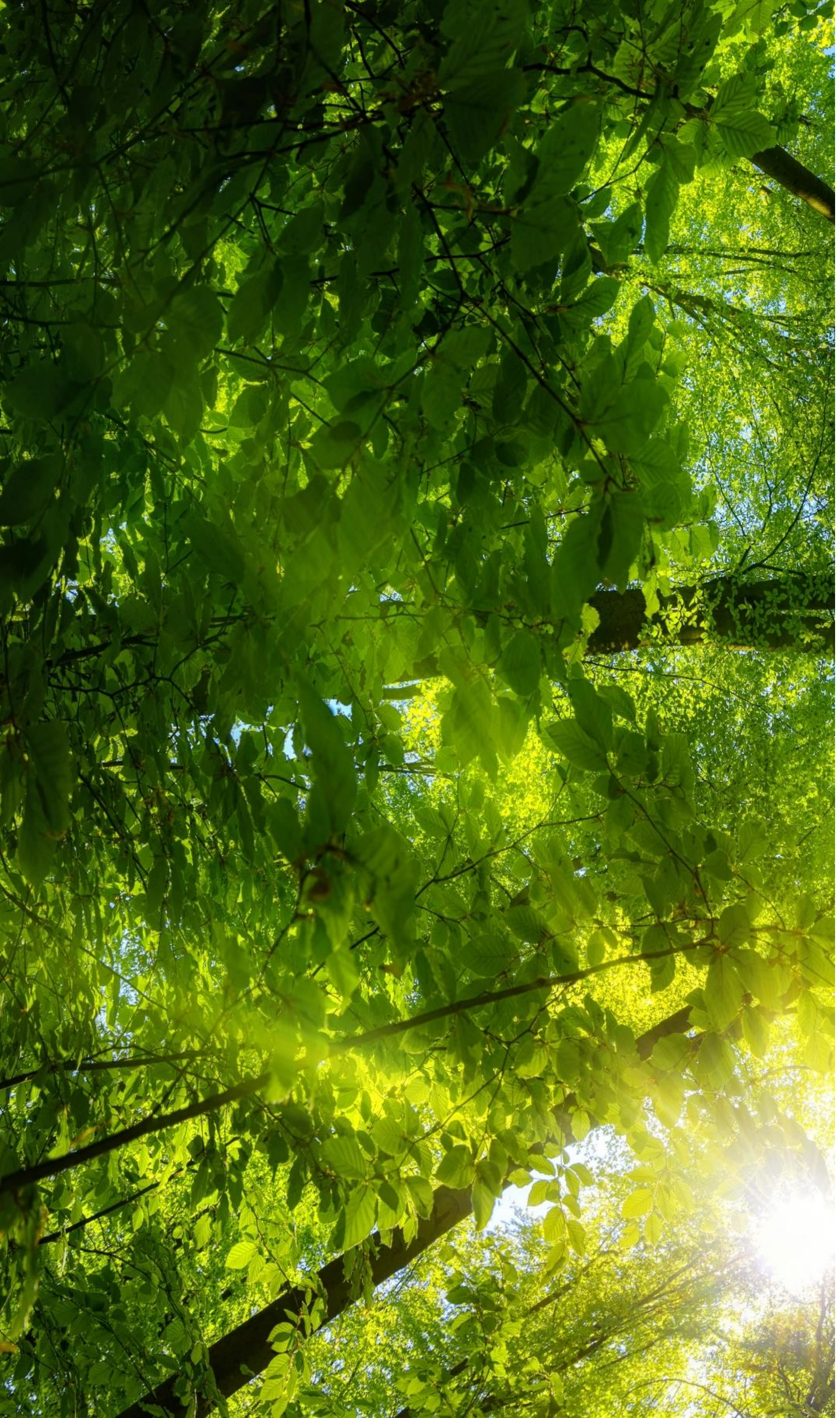
Christophe Borysiewicz, Investment Director, Charities



Biographies

Fiona Gillespie

Head of Charities, Scotland

Fiona joined Rathbones in October 2019 following her previous role as a senior investment manager at Anderson Strathern Asset Management. Previous to that, Fiona spent 24 years at Edinburgh Fund Managers and then Aberdeen Asset Management following their acquisition, where she had principle responsibility for managing multi asset mandates for charity clients.

Fiona is an associate of the Society of Investment Professionals, and member of the Chartered Institute of Securities and Investment.

She sits as a trustee of Medical Research Scotland, trustee of the Stafford Trust and treasurer/trustee of the Scottish Council for Voluntary Organisations (SCVO). Fiona is also a member of the Future Asset Steering Committee. Until recently, Fiona was also a non-executive director of Children’s Hospices Across Scotland (CHAS) for over six years, stepping down in June of 2021.

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Christophe Borysiewicz

Investment Director, Charities

Christophe has 18 years’ experience in providing and managing investment solutions for charities, not-for-profit organisations, and pension funds. He joined Rathbone Greenbank in 2021 from Epworth Investment Management, where he was head of investment management. He is a Chartered Financial Analyst (CFA) Charterholder, having graduated in Philosophy, Politics and Economics from Jesus College Oxford. He has a master’s degree in Japanese Studies from the University of Leeds. He has experience as a charity trustee and is currently a trustee director of a charity defined benefit pension scheme.

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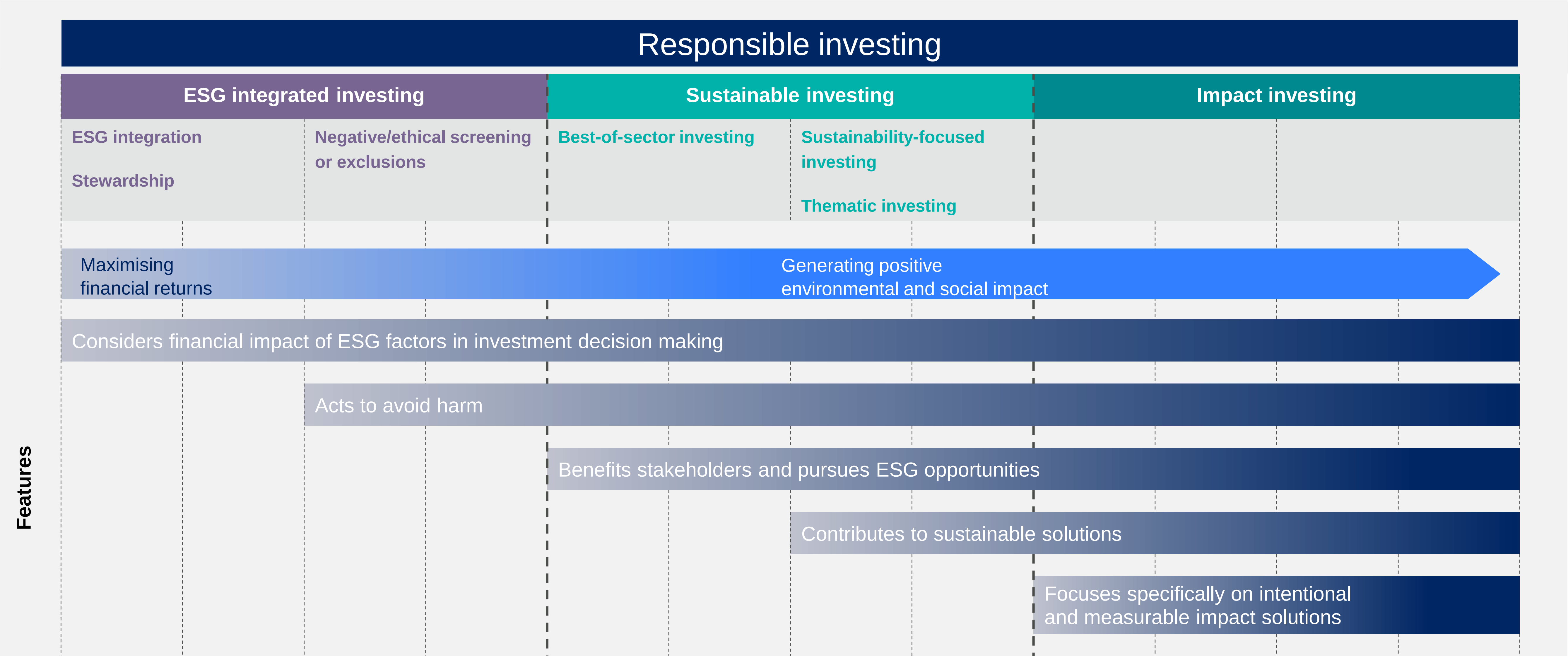
Why does responsible investment matter?

- identifies and manages risks and opportunities within investment portfolios
- can help to make the world a better place
- allows your charity to better align its investments with its mission
- allows your charity to better align its investments with stakeholders

Responsible investment comes in many guises



The value of investments and the income from them may go down as well as up and you may not get back what you originally invested.

Engagement and voting

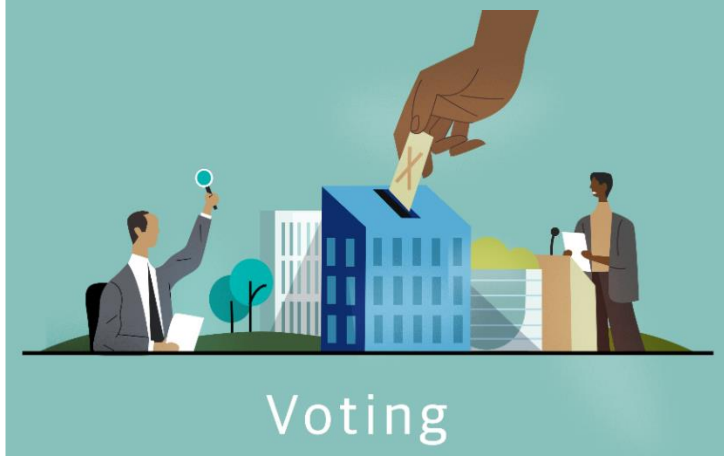
Engagement

Working with companies to change policies and practices, or to tackle wider societal issues

Voting

Voting against management resolutions or supporting shareholder resolutions to help drive positive change

Divestment vs engagement?



ESG integration

Considering ESG* factors when evaluating investments

Example:
A manufacturing company that has switched to low-carbon production will be ahead of competitors who need to spend to catch up. We therefore attach greater value to its shares.

* Environmental, Social and Governance factors

Ethical screening

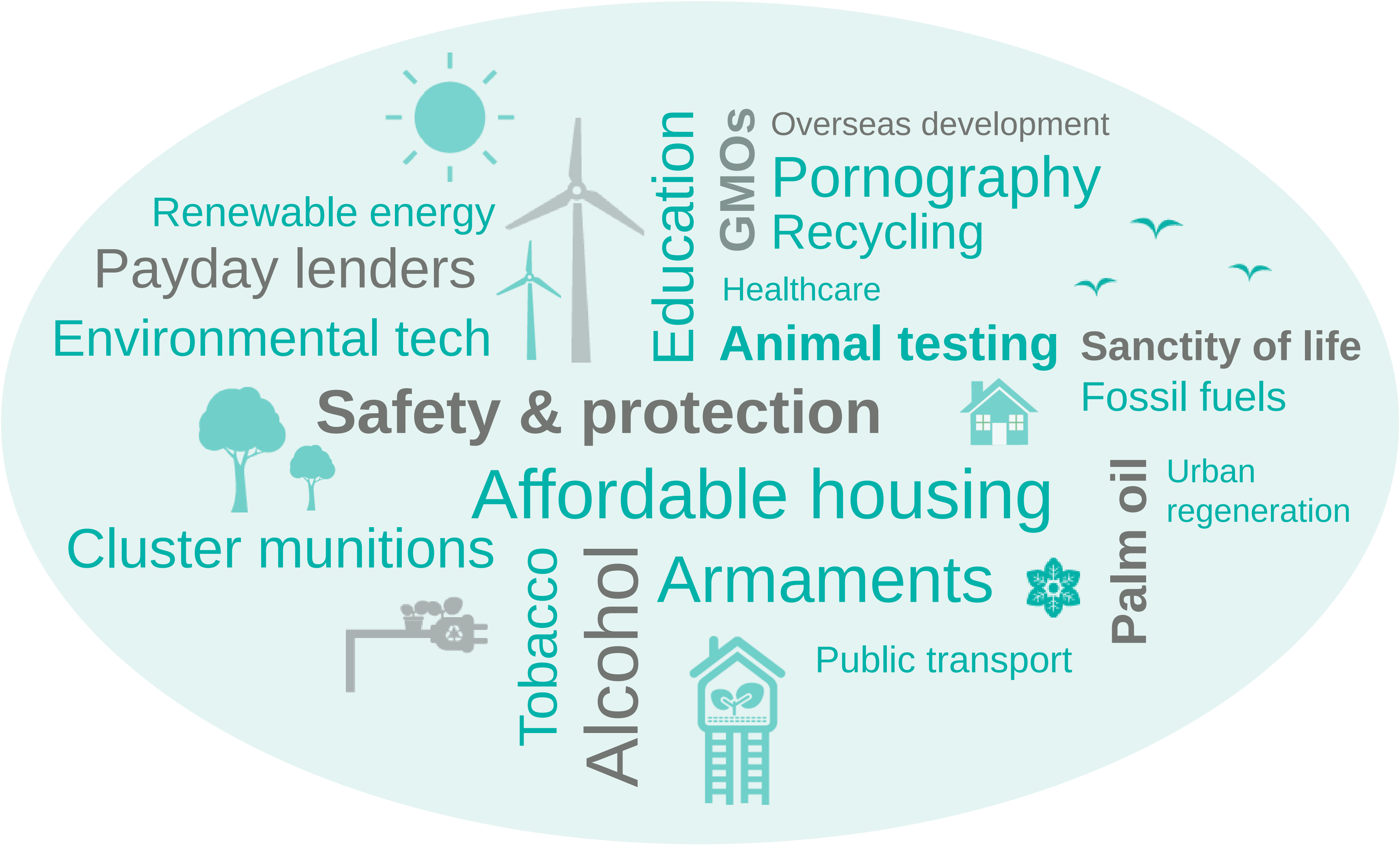
Negatively screening a portfolio: avoiding companies that conflict with the values of your charity and its supporters

Example:

A health charity excludes companies with material involvement in alcohol or tobacco.

A Catholic charity excludes companies that earn revenue from abortion and contraception products and services.

Ethical and sustainability screening analysis
Screening: what a company does



Best-of-sector or norms-based investment

Investing in companies outperforming their sector peers in ESG terms

Example:
The top quarter of mining companies with the highest ESG scores.

Excluding companies based on human rights or environmental impacts.

Example:
Only investing in those companies which have business plans aligned to the Paris Agreement.

Ethical and sustainability screening analysis
Screening: how a company operates

Sustainable investment

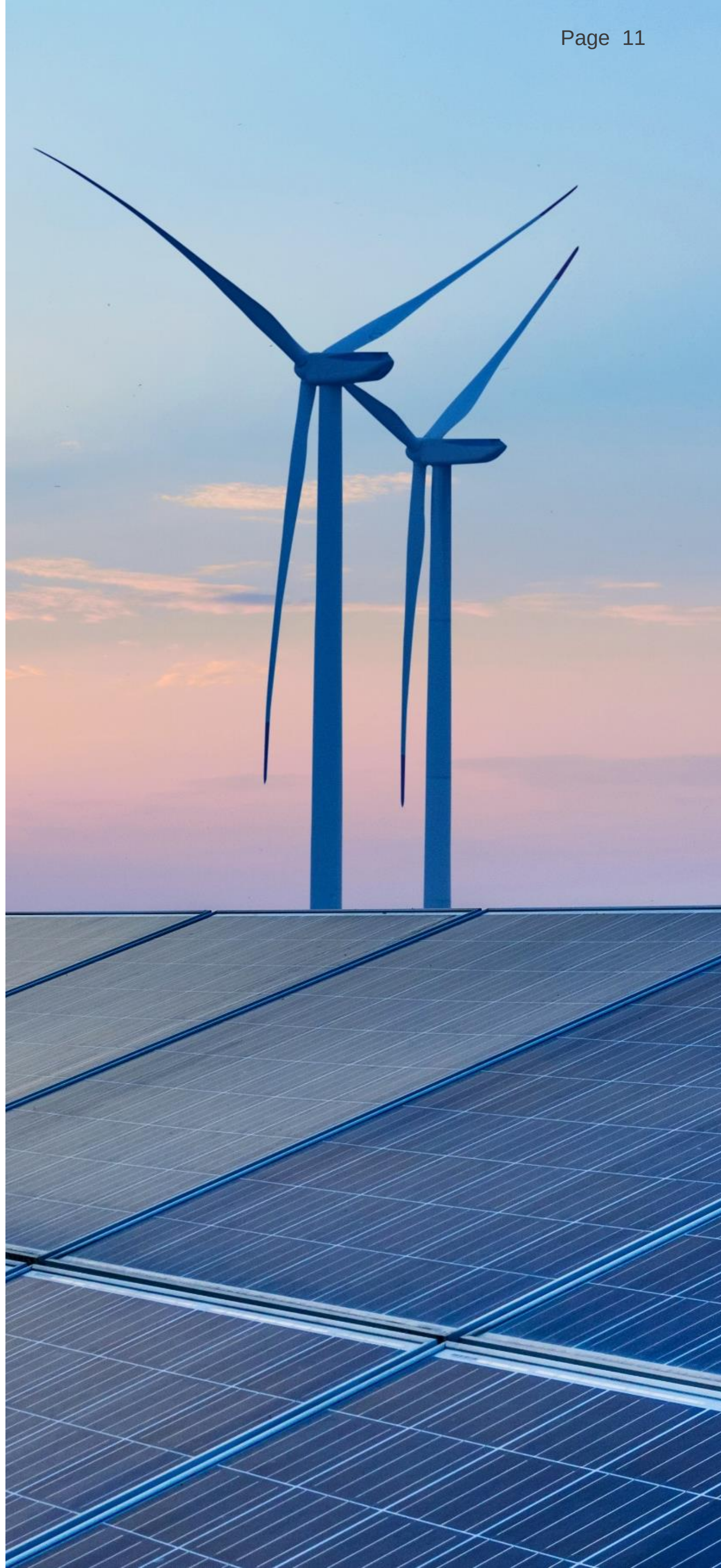
Investing in companies that are either:

— meeting the needs of the present without compromising the ability of future generations to meet their needs

or

— helping the global economy become more sustainable in the future

Example:
Investing in a company that produces energy from renewable sources, rather than from fossil fuels.



Impact investment

Impact investors target investments that generate positive and measurable social and environmental impacts alongside a financial return.

Example:
A community organisation working to rehabilitate ex-offenders issues bonds to fund its work.

Example 1 - **Shell**

Example 1 - **Shell**

- MSCI rating – AA (leader)
- Refinitiv rating – 93 (excellent)
- Sustainalytics rating – 37.6 (high risk)
- MSCI implied temperature rise – 2.4°C
- Widely viewed as best-in-class oil company by ESG investors

Traditional	ESG integration & Stewardship	Negative exclusions	Best-of-sector	Sustainable	Impact
✓	✓	?	✓	X	X

https://www.knowesg.com/esg-ratings/royal-dutch-shell-plc

Example 2 - **Unilever**

Breaking news: Unilever, maker of Dove and Degree products, supports global ban on animal testing for cosmetics

Example 2 - **Unilever**

- MSCI rating – AA (leader)
- Refinitic rating – 90 (excellent)
- Sustainalytics rating – 24 (medium risk)
- MSCI implied temperature rise – 1.4°C
- Widely viewed as a sustainability leader and often found in sustainability portfolios

Traditional	ESG integration & Stewardship	Negative exclusions	Best-of-sector	Sustainable	Impact
✓	✓	?	✓	✓	X

Source: https://www.knowesg.com/esg-ratings/unilever-plc

Helpful questions to shape thinking

1. What are our values and purpose?
2. What aspects of these are relevant to our investments?
3. What are our stakeholders’ concerns?
4. What could impact our reputation?
5. How does consistency impact our thinking?
6. Should we divest or remain invested and try to influence change?
7. Are we worried about what a company does or how it goes about its business?
8. Are we focused on what we don’t invest in, or what we do invest in?

How to identify greenwashing

1. Is the investment company a signatory to the Principles for Responsible Investment?

2. Is the investment company a signatory to the UK Stewardship Code?

3. Does the investment company engage with company management and report on the impact of these engagements?

4. Does the investment company outsource its engagement and voting or have in-house expertise and resources?

5. Does your investment manager demonstrate good knowledge of responsible investment?

What should my charity do?

- Reflect on responsible investment and implications
- Find out what your investment manager already does
    - investment companies should have their own responsible investment policies and processes. You may find this already meets your needs.
- Discuss with your investment manager the best way to meet your responsible investment needs
    - how you are invested, and what you are invested in, will determine how best to implement any new policies.
- Detail your responsible investment approach and rationale in your investment policy statement

Final thoughts

Responsible investment can help you to:

— manage investment risks and opportunities

— make the world a (slightly) better place

— better align your investments with your charitable aims and stakeholders

Responsible investment comes in many shapes. You can use a variety of shapes to meet your needs.

Responsible investment is a journey, not a one-time decision.

Further resources:
rathbones.com/investment-approach/responsible-investment

Important information

The value of investments and the income from them may go down as well as up and you may not get back your original investment. Past performance should not be seen as an indication of future performance. Changes in rates of exchange between currencies may cause the value of investments to decrease or increase.

Information valid as of 27 June 2023, unless otherwise stated.

Tax regimes, bases and reliefs may change in the future.

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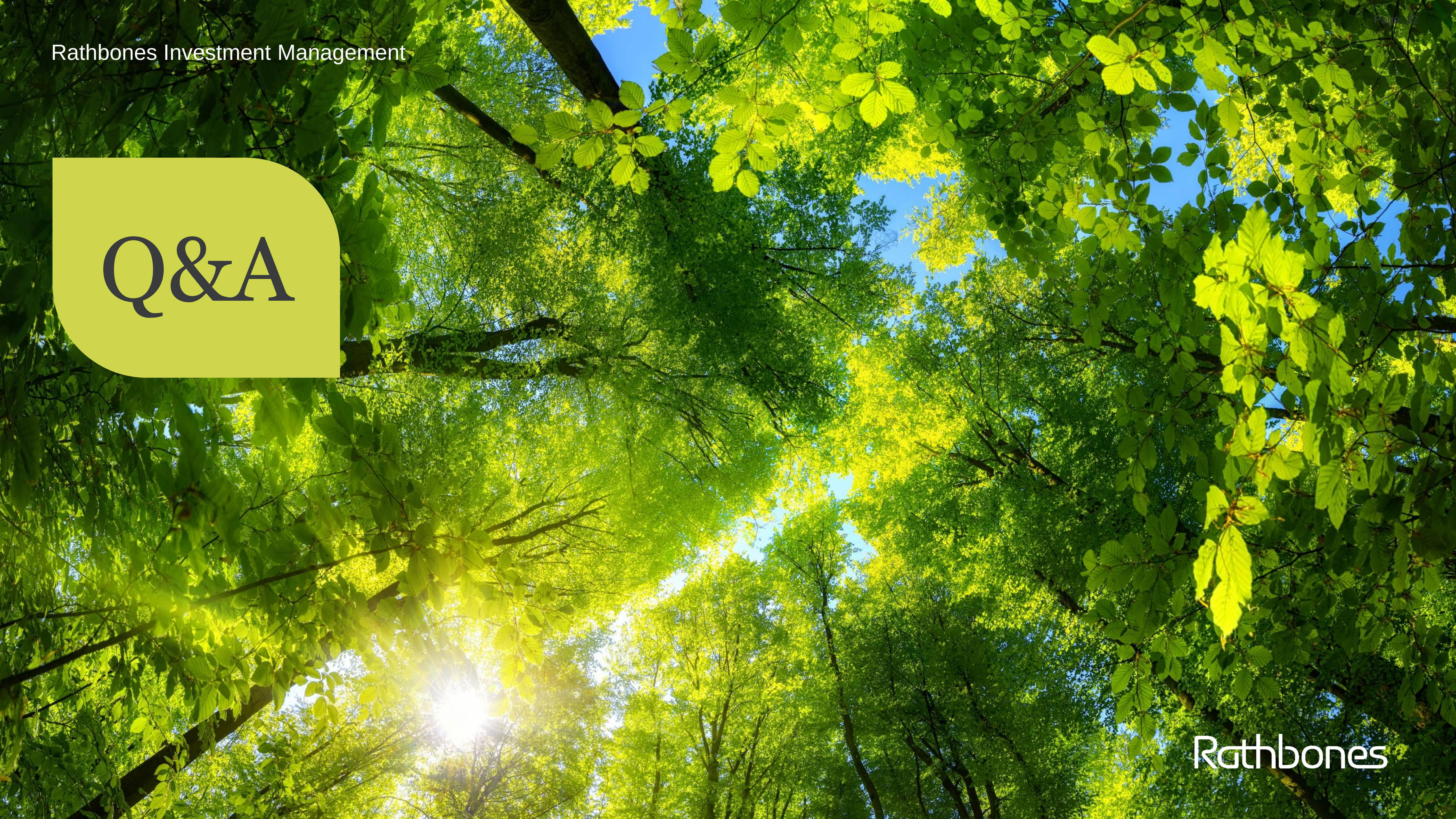

Q&A