

Summer 2009

Rathbone Greenbank

Global problems, local solutions

We were pleased to hold our 2009 Investor Day in Liverpool, a year on from the formal launch of Rathbone Greenbank Investments in Liverpool. Our venue, the Victoria Museum and Gallery, was renovated especially for the city's year as European Capital of Culture in 2008, opening up a key building in the city's history to innovative new use as a gallery, café space and function rooms.

Many of the challenges facing society today can seem insurmountable. The issue for a great number of people is not whether something should be done, but how an ordinary person, with control over their limited budget and with a small sphere of influence, can begin to make a difference to global challenges.

Our speakers guided us through three different responses to the global, national and local aspects of the challenges facing our world. **United Utilities** gave a company's response, but from a relatively local perspective, being responsible for the electricity and water networks for a defined geographical area. We were then stirred by the inspirational story of the **Ashton Hayes** 'Going Carbon Neutral' project, an account of how several ordinary people decided to take responsibility for their own village's carbon footprint, seeking to engage people of all ages and walks of life in an attempt to reduce carbon emissions. Finally, the **Habitat for Humanity** project combined a global perspective with local action – the worldwide need for quality, affordable housing being met by charitable and volunteer buildings projects, such as those undertaken in the Toxteth area of Liverpool.

Whilst not denying the scale of the challenges facing society, our speakers gave us renewed hope that passion and energy directed toward common goals can be a massive force for positive change.

John David
Investment Director



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Rathbone Greenbank Investments is the specialist ethical investment unit of Rathbone Investment Management Limited. It provides personalised and professional investment services for those who wish to ensure that their investments take account of their environmental, social and ethical concerns.

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United Utilities

United Utilities operates water and electricity networks in the North West of England. The two services cover roughly the same geographical area, giving the company an important opportunity to influence consumers' behaviour in terms of water and electricity consumption. Across the industry, nearly £10 billion has been invested in water and electricity networks. By the end of 2020, a further £3 billion will have been spent to improve the networks.

United Utilities operates some key assets in the region – including numerous reservoirs, sub-stations, waste water treatment stations and distribution infrastructure. In this way it has significant direct and indirect impacts, albeit in the pursuance of a public service, overseen by the regulator, Ofwat. United Utilities recognises its obligation to supervise these direct and indirect impacts in a responsible manner.

United Utilities takes its duty to manage the environmental, social and financial impacts of its activities seriously, as its services are necessary for life. In this way, certain responsibilities apply to them beyond those usually expected from a retailer – for example, in the area of billing and vulnerable customers. Transparency and reporting of performance take on a key role, especially as some of the improvements required to reduce environmental impacts depend on consumers changing their own behaviour. However, the Corporate Responsibility programme also delivers direct business benefits – reducing environmental impacts cuts costs for the group, and having a progressive public image helps with talent retention and recruitment, which is especially significant given the shortage of engineers in the UK.

There are six main themes in the group's Corporate Responsibility strategy, but climate change is perhaps the most important. United Utilities is adopting an active carbon management approach, integrated into day to day business decision making. Electricity use and energy consumption at the group amounts to around 700 GWh a year, or about 0.3 per cent of the UK's total energy demand. Reducing its own emissions is only part of the equation, however, as the group also faces the challenge of adaptation to a changed climate. According to its own research, United Utilities estimates that current predicted levels of greenhouse gases in the atmosphere could mean that the North West will experience a 10 per cent drop in rainfall and hence water supply over the medium-term. In the long-term, the challenge for the company is therefore how to adapt to these changing conditions, in

order to continue delivering essential services to a growing customer base.

The group gave examples of the specific acts it had taken to put its carbon reduction commitments into practice. Every new capital investment project has its carbon footprint calculated to give a good benchmark for evaluating the group's future emissions performance. A 'carbon champions' network operates, employing 40 people throughout the business to identify improvements and engage staff on the issue of carbon management. The group has also made large investments in the recovery of energy from waste – waste water and sludge emits methane which is collected and combusted, producing heat which is used in the waste water treatment process as well as generating electricity. Some of the company's treatment plants which have invested in this technology are approaching energy neutrality. Beyond this, methane from the same source (once cleaned appropriately) can be used as a vehicle fuel, and the group is currently awaiting a decision from DEFRA regarding funding for the UK's first methane 'gas clean-up' plant. Ultimately, some gas will be eligible for supply back into the National Grid (a common practice in continental Europe).

United Utilities owns significant amounts of land in the North West, often next to areas of the countryside. It has therefore had to develop a policy on biodiversity, dealing with the wide variety of species interacting with the 58,000 hectares that United Utilities owns. Some waste product is used as a fertiliser, for example, but the group also has responsibility for some heritage assets which require active management and maintenance. The group has a system in place for managing its peat holdings, in order to avoid release of carbon. A large investment in



Blackburn waste water treatment works

biodiversity management is to be made over the five years from 2009, including efforts to promote sustainable forestry in several areas neighbouring United Utilities' reservoirs.

As a group, United Utilities is not afraid to risk failure in the pursuit of innovation. It has taken a 25 year view of its industry and own operations. Some of its infrastructure investments may not fully pay for themselves over the short to medium-term, but this is acceptable to the company. The challenge comes in convincing the regulators to take a similar long-term view of United Utilities' investments, valuing a whole life pay back cycle over the more short-term criteria often preferred by regulators.

Outside of operating its distribution networks in a responsible manner, the group's other main challenge is managing demand for its services. This involves the issue of consumer behaviour. Promoting water efficiency would seem to be counterintuitive (essentially encouraging customers to use less of its product!) which again distinguishes the operations of a utility company from traditional private service providers. Ultimately, it is in United Utilities' interest to encourage customers to become more efficient in their water and energy use, as its supply of both will face increasing pressure over the coming years. Trials have been done with consumers using 'smart' meters for water and electricity use, seeing some evidence of reduced usage, but the challenge is to continue this behaviour once the trials are over.

The group's social commitments are similarly well thought out. Environmental education centres have been in operation for 20 years, with four centres in the region offering free educational programmes on the water cycle, benefiting 12,000 schoolchildren a year. More recently, this has been expanded to include climate change elements, offering visits to schools. Employee volunteering is developing – historic policies have allowed some time off for staff for many years, but the group has realised that there are benefits to it in the form of skills transfer which it had not previously appreciated or integrated into its volunteering policy. Staff are now able to apply for up to six days a year to work in voluntary positions, provided they can demonstrate they are bringing skills back into the business. One example given was that of an employee who worked on the board of a charity, learning financial and management skills which were transferred into his work at United Utilities.



Oyster Catchers

The team from United Utilities showed us what can be achieved when a corporate body understands not just the risks but the opportunities associated with the social and environmental challenges facing society. By infusing its 25 year development programme with the values of sustainability, the group's investment programme can be directed into innovations delivering benefits for customers and the environment. When harmonised with consumers' own actions, real change can be delivered. It is encouraging to see a business which has taken the lead, seeking to help customers realise the benefits of behavioural change, rather than sitting back and waiting for customers to take the initiative.

Helen Gerrard
Investment Director



Going Carbon Neutral project

The Cheshire village of Ashton Hayes has a population of approximately 1000 people, and is aiming to become the first small community in England to achieve carbon neutral status. They aim to teach by example so that children and future generations will do their bit to stem global warming, and to encourage other communities to follow suit. Both of the founders had professional reasons to be engaged on climate changes coming from scientific and technical backgrounds where the science is not disputed, but their story begins with a moment of personal conviction.

Garry Charnock was attending a debate on climate change at the Hay Festival, often referred to as ‘an intellectual Glastonbury’, which Rathbone Greenbank Investments has been proud to be part of over the years. Whilst attending a debate between the Government’s chief scientist and the chairman of Shell regarding climate change, Garry mused on the challenge given to the audience on what they were going to do personally to address the issue. A conversation with Roy Alexander in the village pub saw the two decide to try and engage their own community on the issue, being driven by the sense that, if it couldn’t be done in Ashton Hayes, then there wasn’t much hope for other communities to adapt to the realities of climate change.

The informal group then approached the local parish council meeting, asking for their backing for their aim for the village to become the first carbon neutral village in the UK. They pitched the problem, and the need for the community to respond with concrete actions, however small. The council supported with conditions – one being that Garry take the vacant seat on the parish council, the second being that the learnings be shared, and finally that a public meeting be held to engage the local community.



A cold January night in the village school hall arrived with 100 seats set out; nearly 400 turned out from the village. A representative from the BBC World Service recorded the event, and the audience were told that they wanted to engage the community on the journey, not leaving the problem to the next generation. They asked people why they had turned out – and many felt that the community aspect was key. Too many environmental projects make you feel like a ‘crank’ but this was a whole community endeavour empowering people to make changes without worrying about raised eyebrows. The school was also important in these early days, with children coming home talking up the issue, and the parents then able to reinforce the lessons the children were learning by participating in the project at home.

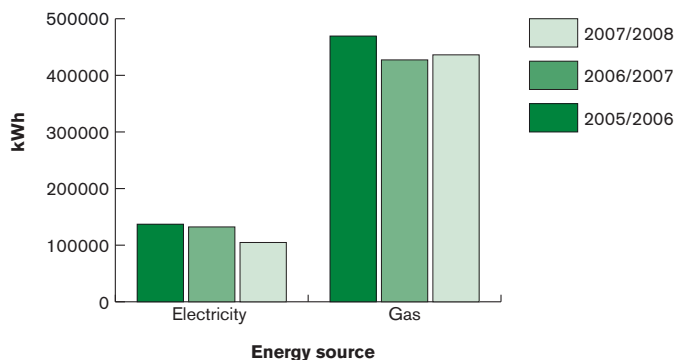
The leaders guaranteed that no public money would be spent – and they engaged local businesses for initial funding. The group was then encouraged to commence benchmarking – an actual carbon footprinting of the village – a vital place to start if changes were to be made and monitored. DEFRA gave a grant for the community to tell their story wider abroad. People were very engaged with the thought of ‘plucky Brits’ just ‘having a go’!

The *Financial Times* featured the project in a special publication, thinking that this was a model for how communities and business could work together, and the community was chosen to represent the UK as part of the Live Earth concerts in 2007, which made a media star of the village publican, a convert to energy efficiency.

A main feature of the project is the partnership with the University of Chester, which has committed to aiding the project over 5 years, seconding students to help with the annual carbon audits of the village. The first door-to-

door baseline survey asked questions about energy use, heating, insulation and travel. In the first year of the project, actions began to emerge, from solar thermal panels being installed to improved loft insulation. The group uses an online ‘hub’ for residents to share stories and knowledge of useful products and actions that the community can take. The borough council were so impressed by the activities of the group that they offered to help. The group responded with a simple request for a footpath. At the time, the village was not connected to the rail network, the only link being a busy and dangerous road to a neighbouring village. Parents were wary of allowing children to walk or cycle down this road. Ultimately, the council agreed to spend £75,000 on this footpath, connecting the village to the rail network. Business people in the village could now start their business trips without the need for cars, and the most recent village energy audit shows a major shift from car to rail travel.

Comparing energy use



Like any enterprise encompassing so many different personalities, the group has a set of core values in order to guide its progress. The group is actively non-political and non-confrontational, and sees finger-pointing and blame-apportioning as a distraction to the work which needs to be done. Too often, those engaged with the issues can be perceived as confrontational – for example, producing fake parking tickets to place on SUVs. However well-intentioned these efforts, Ashton Hayes values wider participation over winning arguments, seeking to get people involved who would previously never have considered changing their behaviour. One such example is the aforementioned local publican, a mild sceptic in the first few phases of the project. Following a series of high energy bills, he approached the

group. A single day of consultation on the day to day running of the pub resulted in the taking of some simple energy reduction steps, cutting the pub’s energy bill by £200 in the first month.

Bigger projects are now on the way – for example, the group is exploring the possibility of micro-managing its own electricity supply and generating its own renewable energy. This project is being funded by Carbon Connections at the University of East Anglia.

House type	Average footprint (tonnes CO2)		
	2006	2007	2008
Detached bungalow	13.88	9.16	9.52
Detached house	18.25	15.45	15.6
End terrace house	24.37	22.33	18.4
Mid terrace house	9.06	8.26	9.96
Semi detached house	11.68	11.19	12.39
Semi detached bungalow	3.94	3.94	3.94
Projected village total	5361	4249	4255

Table 1 Projection for the village footprint (56 common households)

Part of the original vision of the project, and indeed the mandate from the parish council, was for the project to communicate its success around other communities. Demonstrating an awareness of the benefits of new media, making good use of online tools such as website and *YouTube* videos, the group has been in contact with 100 other small communities seeking to replicate the Ashton Hayes experience, from as far afield as Australia. The project is, in many ways, merely providing a pathway that many people already wish to walk together.

Lorraine Dodd
Investment Director



Habitat for Humanity

Founded in the 1970s in the US, Habitat for Humanity is a global, non-profit housing organisation based on 'sweat equity', a means by which those without access to capital can earn a deposit and part of their new home through contributing 500 hours of labour to the project. The charity invites people of all backgrounds, races and religions to help build simple, decent homes together in partnership with families in need. The charity works all over the world, and has a division in Liverpool. Liverpool Habitat for Humanity is currently building 32 homes on land in Toxteth. Globally, the charity has built almost 300,000 houses, improving over 3,000 communities. Nearly one million people now have safe, decent, affordable shelter.

Globally, the need is massive. About 1.1 billion people are living in inadequate housing conditions in urban areas alone (United Nations Centre for Human Settlements). In cities of the developing world, one in four households lives in poverty. About 100 million people worldwide are homeless (UNCHS). In the face of overwhelming costs some 1.2 billion people worldwide experience 'income poverty', meaning they live on the equivalent of less than US\$1 per day (World Bank)

Habitat for Humanity works through volunteer labour and donations of money and materials, building and rehabilitating simple, decent houses with the help of homeowner (partner) families. Habitat for Humanity houses are sold to partner families for no profit –

financed with affordable loans. The homeowners' monthly mortgage payments go into the 'Fund for Humanity' and are used to build still more Habitat for Humanity houses. Houses are built in partnership with families in need. In addition to the monthly repayments, homeowners invest hundreds of hours of their own labour – 'sweat equity' – into building their Habitat for Humanity house and the houses of others.

Throughout the world, the cost of their houses varies from as little as £950 in some developing countries to about £100,000 in the UK. Habitat for Humanity houses are affordable for low-income families because there is no profit included in the sale price and no interest charged on the mortgage. Mortgage lengths vary from seven to 30 years. In Liverpool, the houses cost between £92,500 and £97,599.

Liverpool Habitat for Humanity has generously been given 2.2 acres of land on Kingsley Road by the Roman Catholic Church and will be building 32 homes with partner families and volunteers over the next five years.

Liverpool Habitat for Humanity has a comprehensive procedure for selecting families. There are three main criteria for qualification: to have a housing need and already live within the Liverpool City area (that is, to pay Council Tax to Liverpool City Council); to be willing to partner with Liverpool Habitat for Humanity to put 500 hours of sweat equity into building on the project and to have an income of between £10,000 and



£20,000. Applicants who live, work or have a strong connection with the Liverpool 8 postcode area are preferred. Although Habitat for Humanity is a Christian ecumenical organisation, it operates a strict non-discriminatory policy and welcomes applications from anyone qualifying under the criteria.

The Liverpool Habitat for Humanity project neatly distilled the global and local challenge for us. Habitat for Humanity is an example of a global initiative tackling a global need, but doing so through a large network of many local projects, operating under central values and guidance. In this way, the projects benefit from the reduced costs of a tried and tested model, but are able to adapt to local conditions – bringing the best of both worlds before one even considers the positive impacts on those who need affordable housing.

Rathbone Greenbank Investments' Liverpool team has seen first hand how the project works by volunteering their labour at the Toxteth site recently. Along with other colleagues from Rathbone's Liverpool office, they were involved in practical building tasks, under the supervision of Habitat for Humanity experts. Along with the team were several prospective home owners,

contributing their hours towards their sweat equity stake in the business. Homeowners automatically get 10-15 per cent off the market value of the house, in addition to not paying rent on the remaining equity for a guaranteed period of five years.

Tabitha Wrathall, now part of our London Marketing team, was one member of the team involved in volunteering in the project. Tabitha feels that the project readdresses any stereotypes of what a 'builder' could be – as everyone who volunteers gets involved with the actual fabric of the building from the outset; the Rathbone Greenbank Investments team spent the day fixing insulation to the walls of one of the units. Tabitha found the project to be empowering – being able to actually see the results of a day's work as opposed to making a general donation to a charity, and also felt the development of the sense of a team. The volunteers were well-accommodated according to their strengths and Habitat for Humanity made all volunteers feel that they had made a real contribution.

Matt Crossman
Ethical Researcher

Forthcoming events

12 and 13 September 2009

The Soil Association Organic Food Festival

We hope to see you at the annual Soil Association Organic Food Festival in Bristol. The event is Europe's largest celebration of all things organic. For further information, please go to www.theorganicfoodfestival.com.

17 October 2009

Schumacher Lectures

We are delighted to continue our sponsorship of the annual Schumacher Lectures in Bristol, held at the Council House. This year the lectures are themed around 'rebuilding the new economics' and will be chaired by Andrew Simms of nef. For further information, please go to www.schumacher.org.uk or call 0117 903 1081.

12 November 2009

National Ethical Investment Week

As part of the second annual National Ethical Investment Week, Rathbone Greenbank Investments will be hosting an evening event on 12 November in our London offices, exploring how money can best be deployed to work for good in society. Further details to follow. For more information, please see www.rathbonegreenbank.com.

2 December 2009

The Funding Network

Rathbone Greenbank Investments will once again host the Christmas gathering of The Funding Network. We are proud to continue our relationship with this innovative organisation. For more information about the impact of The Funding Network, please go to www.thefundingnetwork.org.uk.

For up-to-date information on all our events, as well as the latest articles and news, please visit our website www.rathbonegreenbank.com.

Rathbone Greenbank Investments

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