Rathbone
Greenbank
Investments

Rathbone Greenbank

Engagement review 2021-22

Rathbones
Look forward

Rathbone Greenbank
Engagement review 2021-22

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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.

Welcome

Rathbone Greenbank Investments (Greenbank) aims to be a natural home for those who want to align their investments with the change they want to see in the world. We share our clients' passion for people and planet, and our long-standing expertise in ethical, sustainable and impact (ESI) investing helps us manage their assets for the long term. Together with our clients, we aim to accelerate the transition to a more sustainable world.

John David
Head of Rathbone Greenbank Investments

Engagement with companies is a vital part of our role as ESI investors and can be an effective lever to bring about positive social and environmental outcomes. It enhances our ability to mitigate sustainability risks, and empowers our clients to use their money as a force for good.

Our extensive experience in the growing ESI market has helped us build an expert and versatile research team. It also means we can create bespoke investment portfolios to reflect our clients' diverse ethical, sustainable and impact requirements.

For over 20 years, we have engaged in open and constructive dialogue with companies to address company-specific and systemic risks, encourage best practice, and improve social and environmental wellbeing.

This engagement review represents a small snapshot of our engagement activity in 2021 and our plans for 2022.

You can find out more details about our previous engagement activities, for example our work around climate risk here. You can also read more about our engagement in other areas on our website.

Engagement is not just a powerful means to positively influence and direct the actions of companies and institutions – mobilised in force, it can alert governments and regulators to wider failures in markets and suggest collaborative ways to correct them.

The results of our past and present engagements across a range of issues and investor interests reflect this:

- We successfully led investor efforts in support of the inclusion of a 'Transparency in Supply Chains' clause in the UK's Modern Slavery Act in 2015 and continue to collaborate with partners to ensure that increased transparency leads to improved performance.
- For over a decade, our engagement with some of the world's biggest greenhouse gas emitters has encouraged a greater emphasis on climate risk in their future strategies. It has also helped organisations understand transition pathways to a low carbon economy, and accelerated the adoption of emissions reduction targets.
- Engaging with the food and drink sector has highlighted the systemic risks to society of excess sugar, poor dietary options and obesity (research has shown that by the time a British child starts school, one in five is overweight or obese), and has helped to raise awareness of the direct links between poverty and nutrition.

Global societies, ecosystems and economies face an increasing number of systemic challenges. While the world is now waking up to these evolving crises and the ways in which we can mitigate them, efforts to transition towards more sustainable models of growth and development are falling short of the scale required. The need for bold and urgent action has never been greater: the latest IPCC climate change assessment suggests we will fail to limit global warming to 1.5°C, and the 2021 Dasgupta Review on the Economics of Biodiversity warned that humanity's demands on nature are far exceeding Earth's capacity to meet them. An international team of researchers led by the Stockholm Resilience Centre recently announced that humanity may already have transgressed the planet's freshwater boundary, threatening the resilience of the global freshwater cycle.

At Greenbank we have developed eight sustainable development themes that guide how we invest and engage. These themes map closely to the UN-backed Sustainable Development Goals (SDGs) and enable us to identify investment opportunities that offer solutions to major social or environmental challenges. Engaging through our thematic framework, we can broaden our understanding of risks, explore the interconnectedness between themes, and maximise the impact of our activities.

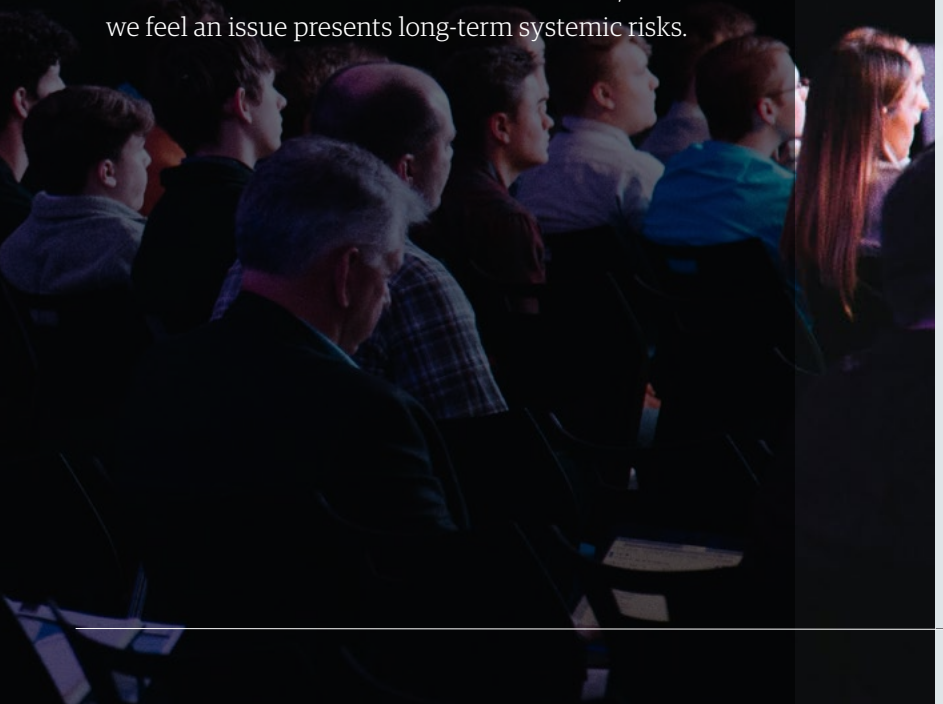
We are proud of the trailblazing role we have played in creating positive change through engagement. We believe that active dialogue between investors and investee companies can help develop a fair and sustainable global financial system that promises a better future for people and planet and improved long-term returns for investors.

John David
Head of Rathbone Greenbank Investments

Our approach to engagement

Taking an active approach to engagement is a core part of our service and complements our investment analysis, as we aim to create and preserve long-term value for our clients. It is a vital expression of our role as stewards of our clients' assets to advocate whenever possible for positive and lasting change within the companies that we invest in on their behalf.

We engage on issues that are important financially, but we will also act where we identify a moral imperative to address social or environmental concerns, or where we feel an issue presents long-term systemic risks.



An active approach

We engage at both a company-specific and thematic level and our activity is set in the context of long-term dialogue and ownership. We recognise the power of partnerships and, where appropriate, we collaborate with Non-Governmental Organisations and other members of the responsible investment community to increase the reach and impact of our engagement activities. We also work closely with Rathbone Investment Management's stewardship and governance team to coordinate effective interventions on issues of shared concern.

As part of our research and ongoing monitoring process we develop a detailed understanding of a company's business model and objectives, to gauge its capacity for positive change and long-term resilience. New insights from our engagement activities are fed directly back into the investment process and are shared regularly with clients. Engagements often take place in complex operational, regulatory, or cultural environments, so each engagement requires a tailored strategy – a 'one size fits all' approach is rarely effective.

To create long-term value for our clients and promote sustainable development, we use our engagement activities to:

- signal to the market that ESI and sustainability issues are important to investors
- highlight and address direct concerns about a specific company issue or area of performance
- encourage best practice and accelerate momentum for positive change within companies
- overcome barriers to progress such as unreliable data, or a lack of consistent standards or frameworks
- raise awareness of sustainable development themes and how they might impact investments
- support the aims and objectives of the United Nations Sustainable Development Goals
- engage with governments, regulators, and supranational bodies to highlight sustainability failures in the wider market and work towards correcting them.

Project selection

We do not believe in engagement for its own sake. The projects we choose must present a clear strategy for achieving positive outcomes and are considered against factors such as:

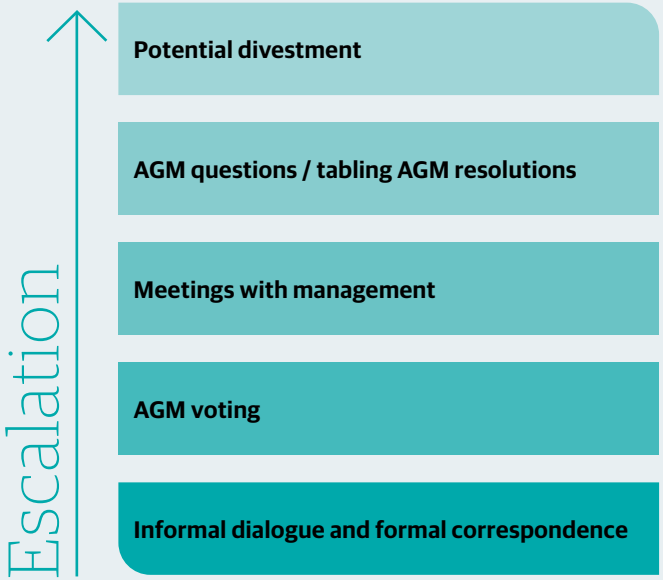
- alignment to our eight sustainable development themes and the long-term changes we aim for in each
- the level of exposure across Greenbank client portfolios and the extent to which issues are important to clients
- the prospect for deeper engagement on a more focused range of issues
- opportunities to 'prime the market' and act as a catalyst for further investor engagement by drawing attention to overlooked issues and building consensus on how to best address them.

Engagement methods

In each engagement project we aim for open and constructive dialogue, in a spirit of longer-term partnership and support – but we are never reticent in asking searching questions.

To create the conditions for lasting and meaningful change we choose the most effective engagement method from our escalation framework.

We agree objectives and review progress each quarter. We can then opt to escalate our discussions and activities if necessary. While we aim to stay invested and make effective use of our shareholder voice and voting rights, divestment is always an option.



Our sustainable development themes: long-term goals

There are eight sustainable development themes that guide how we invest and engage at Greenbank.

We have defined long-term environmental and social goals for each of these themes. We know that our investments or engagement cannot solve these alone, but they are an important anchor in guiding our work.

Ambition for action

Habitats and ecosystems

Preserve and enhance natural systems by encouraging companies to have a net positive impact on biodiversity.

Resource efficiency

Promote a circular economy that supports sustainable levels of consumption.

Decent work

Ensure proper emphasis on the quality of jobs being created and maintained alongside their quantity.

Inclusive economies

Promote an equitable economy in which there is expanded opportunity for shared prosperity.

Energy and climate

Support decarbonisation aligned to the goals of the Paris Agreement on climate change.

Health and wellbeing

Ensure companies do not undermine the health of their beneficiaries and encourage improved health outcomes.

Innovation and infrastructure

Support infrastructure that is fit to achieve broader planetary and societal goals.

Resilient institutions

Strengthen well-functioning institutions that protect the rule of law and fundamental rights.

Ambition for action

SUSTAINABLE DEVELOPMENT GOALS

Find out more

Our engagement priorities for 2022

Each year we establish an annual engagement action plan to provide an additional layer of accountability to our clients and wider stakeholders and to ensure that we are directing our resources effectively.

Our engagement action plan for 2022 focuses on the priority areas below, which are closely linked to our eight sustainable development themes and the overarching social and environmental objectives of the SDGs. Additionally, we continue to follow an ongoing programme of tactical engagement with the companies we invest in, identifying specific risks and working in partnership to mitigate them.

Climate change / net zero strategy

Energy and climate

Biodiversity

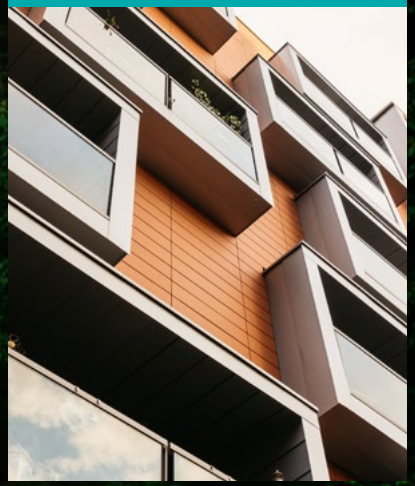
Habitats and ecosystems

Labour standards and the living wage

Decent work

Social housing standards

Inclusive economies



Health and nutrition

Health and wellbeing

Energy and climate

Climate change / net zero strategy

Overview

Climate change presents an existential threat to people and planet and the global economy. The Paris Agreement commits signatories to a range of climate mitigation goals, including limiting the increase in global average temperature to 1.5°C above pre-industrial levels.

To achieve net zero by 2050 and limit warming to below 1.5°C, greenhouse gas (GHG) emissions must halve by 2030, requiring rapid adoption of ambitious short term GHG targets by companies. To deliver this, investor stewardship must be swift and bold.

Why this issue?

We have committed to reach net zero emissions across our operations and investments by 2040 or sooner, and will prioritise engagement to drive alignment to net zero.

How we will engage

Using the Net Zero Investment Framework (a portfolio alignment tool we co-created during the Paris Aligned Investment Initiative), we will develop a stewardship prioritisation framework to identify engagement opportunities and prioritise resources.

We will then begin dialogue with priority companies, setting timebound company-level objectives.

We have chosen to focus on companies that have a significant climate impact, but which fall outside major collaborative initiatives such as Climate Action 100+. We believe that focusing on otherwise overlooked companies will help to accelerate decarbonisation across the economy.

Relevant memberships / partners

Institutional Investors Group on Climate Change (IIGCC); Climate Action 100+.

Habitats and ecosystems

Biodiversity

Overview

Biodiversity underpins the services that natural systems provide. All economic activities depend on the wellbeing of global ecosystems and biodiversity plays a key role in climate change mitigation and adaptation. These natural services are increasingly at risk due to unprecedented global biodiversity loss.

This can generate multiple risks for companies and investors, in addition to society as a whole. Crop yields may fall due to reduced numbers of pollinators and essential processes such as freshwater cycles and oxygenation may be threatened.

Why this issue?

We have an opportunity to prime the market for wider investor engagement by building consistent standards and guidance for financial institutions. The importance of biodiversity to economic activity means there is significant exposure to this theme across our holdings.

Regulation is also rapidly evolving with 2022 seeing the launch of the Taskforce on Nature-related Financial Disclosures and the Convention on Biological Diversity (COP15).

How we will engage

We will directly engage with priority companies to raise awareness and set out our expectations on biodiversity. We will also participate in Partnership for Biodiversity Financials (PBAF) working groups and enhance the measurement of biodiversity risks in our portfolios.

Relevant memberships / partners

Partnership for Biodiversity Accounting Financials; Finance for Biodiversity Pledge.

Decent work

Labour standards and the living wage

Overview

'Decent work' supports the development of high-quality jobs that maintain an appropriate balance of power between employees and employers. Employees are assets to be valued and invested in, not costs to be minimised.

Investing in human capital can reduce staff turnover and increase productivity while helping companies reduce reputational risks and legal liabilities, especially when extended to contracted workers and supply chains.

Why this issue?

A society where people can participate fully and prosper without exploitation is at the heart of our 'Inclusive economies' and 'Decent work' themes. We have wide exposure to this issue through companies in high-risk sectors and associated supply chains.

How we will engage

We will conduct targeted engagement with companies in low pay sectors to promote adoption of the voluntary UK living wage.
We will also lead dialogue with priority companies to encourage their participation in the Workforce Disclosure Initiative, improving the consistency and quality of employment-related disclosures.

Relevant memberships / partners

Workforce Disclosure Initiative; ShareAction Good Work investor coalition.

Inclusive economies

Social housing standards

Overview

Good quality housing underpins the enjoyment of other social, cultural, and economic activities and rights. Poor quality housing threatens fuel poverty, illness, and increased isolation from essential social services. People must have access to good, affordable housing, and we have focused to date on promoting improved and standardised disclosure across the social housing sector to ensure that positive social outcomes are being delivered.

Why this issue?

Access to housing is fundamental to social and economic inclusivity, offering significant opportunities for individuals and families.

Investments in social housing providers are typically via corporate bonds rather than equities. Corporate bond issuers have historically been subject to less investor scrutiny than issuers of equity and we see this engagement as a way to improve practices in an often-overlooked asset class.

How we will engage

Based on the first reporting cycle against the Sustainable Reporting Standard for Social Housing, we will engage with companies to further improve disclosure and performance against key indicators.

Relevant memberships / partners

The Good Economy (Sustainability Reporting Standard for Social Housing).

Health and wellbeing

Health and nutrition

Overview

Good public health is critical to defining and measuring our economic resilience and prosperity – our experience of the Covid-19 pandemic made that strikingly clear. Poor health creates a systemic risk for society and the economy. Many debilitating illnesses can be linked to unhealthy levels of food and alcohol consumption, factors that can be shaped and exacerbated by producers and retailers.

Why this issue?

So far, public health and nutrition issues have attracted minimal investor interest. There is a clear opportunity for us to prime the market and increase investor interest in this issue. As adviser and partner to several key investor initiatives, we can influence companies and shape future policies.

How we will engage

We will lead investor engagement with policymakers in response to the National Food Strategy, calling for the introduction of mandatory reporting for food sector companies. In addition, we will continue to serve as an adviser and member to ShareAction's Healthy Markets investor coalition, coordinating collective engagement with retailers and manufacturers on health and nutrition.

Relevant memberships / partners

Food Foundation's Plating up Progress Initiative; ShareAction's Healthy Markets investor coalition; Access to Nutrition Initiative (ATNI).

Secondary engagements

We will continue to maintain a strong partnership with the following initiatives in 2022. These secondary engagements are longstanding initiatives where we continue to play an active role, but do not lead the project or direct strategy.

Our initiatives	Our focus	Our partners	Sustainable development themes
Animal welfare	Livestock food production; sustainable protein sources	BBFAW Business Benchmark on Farm Animal Welfare; FAIRR Network Member FAIRR A COLLER INITIATIVE	Habitats and ecosystems
World Heritage sites	Extractive industry activity in biodiversity-rich sites	unesco	Habitats and ecosystems
Just transition	Ensuring the net zero transition does not leave workers and communities behind	Financing a Just Transition Alliance	Inclusive economies; Decent work; Energy and climate
Access to medicine	Ensuring equitable access to medicine	access to medicine index	Health and wellbeing
Human rights	Digital human rights; human rights due diligence	INVESTOR ALLIANCE FOR HUMAN RIGHTS AN INITIATIVE OF ICCR	Inclusive economies; Decent work; Resilient institutions

Habitats and ecosystems

A closer look at... biodiversity

Our activity in 2021

Why biodiversity matters

Biodiversity provides vital, interdependent ecosystem services sustaining life on land and below the water. All living organisms share a role in cleaning the air we breathe, producing the food we eat, generating the compounds and raw materials supporting our health and productivity, and providing defences against natural and climate-related threats. Access to biodiversity-rich environments is increasingly recognised as a major factor in improving physical and mental wellbeing.

Healthy societies and resilient economies rely on the support of natural systems, yet all are under threat from the scale of global biodiversity loss recorded over the last 50 years.

The risks

Before 1970, the planet's capacity to regenerate natural resources was greater than humanity's ecological footprint. The Living Planet Index reports that since then, human expansion has resulted in a 70% decrease in global biodiversity and that we are now overusing global resource capacity by more than half. The 2019 Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) '*Global Assessment Report on Biodiversity and Ecosystem Services*' highlighted an extinction threat to around

1 million animal and plant species. In 2020, the World Economic Forum estimated at least $44 trillion of economic value generation was moderately or highly dependent on natural services – more than half of global GDP. Without prompt action to reverse decades of catastrophic biodiversity loss, the world could rapidly reach a point of no return.

A report by the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services identified five key drivers of biodiversity loss: natural resource use and exploitation; changes in land and sea use; invasive non-indigenous species; climate change; and pollution. It determined that economic activities could trigger multiple drivers in vulnerable regions and that the decline of ecosystems would undermine progress towards sustainable development targets. The huge scale of biodiversity loss means that we must restore as well as preserve natural ecosystems.

Our work on this issue

The first way in which we integrate biodiversity into our ESI research process is through our 'Habitats and ecosystems' and 'Energy and climate' sustainable development themes. We also factor a range of biodiversity-related criteria into our company screening process to better understand the exposure of those companies to risks and opportunities. On the positive side, we can assess a company's approach to, and investment in, biodiversity conservation and restoration across its activities and through its supply chain. On the negative side, we can monitor operations in ecologically sensitive areas, and assess the degree to which resources and habitats are being exploited.

A company impact assessment – or biodiversity footprint – can help determine the likelihood of an investment having a positive or negative impact on biodiversity over time. Accurate assessment is dependent on quality data, however, which presents a significant challenge.

As forward-looking as we are on this issue, company-level disclosure of biodiversity impacts is minimal and is complicated by extended supply chains and operational impacts in different locations and jurisdictions. Global biodiversity reporting standards are lacking, as are broadly agreed biodiversity metrics for governments and businesses to establish universally recognised preservation targets. Existing disclosure initiatives are limited in the biodiversity measures they consider and the sectors they include.

> *"Rathbone Greenbank Investments provided a key contribution to the discussions in the PBAF Working group on Asset Management.*
>
> **Wijnand Broer**
> PBAF Programme Manager

To combat this challenge, we are playing a wider role in developing ways for financial institutions and investors to comparably assess the biodiversity impacts and dependencies of their investments. This will enable investors to integrate biodiversity into their investment decisions with clarity and confidence.

In 2020, we became a signatory to the Finance for Biodiversity Pledge, committing to protect and restore biodiversity through our financial activities and investments, widen engagement, assess impacts, establish targets, and publicly report our progress by 2025. We also collaborated on draft guidance for financial institutions on biodiversity measurement, examining the best data sources for differing business applications.

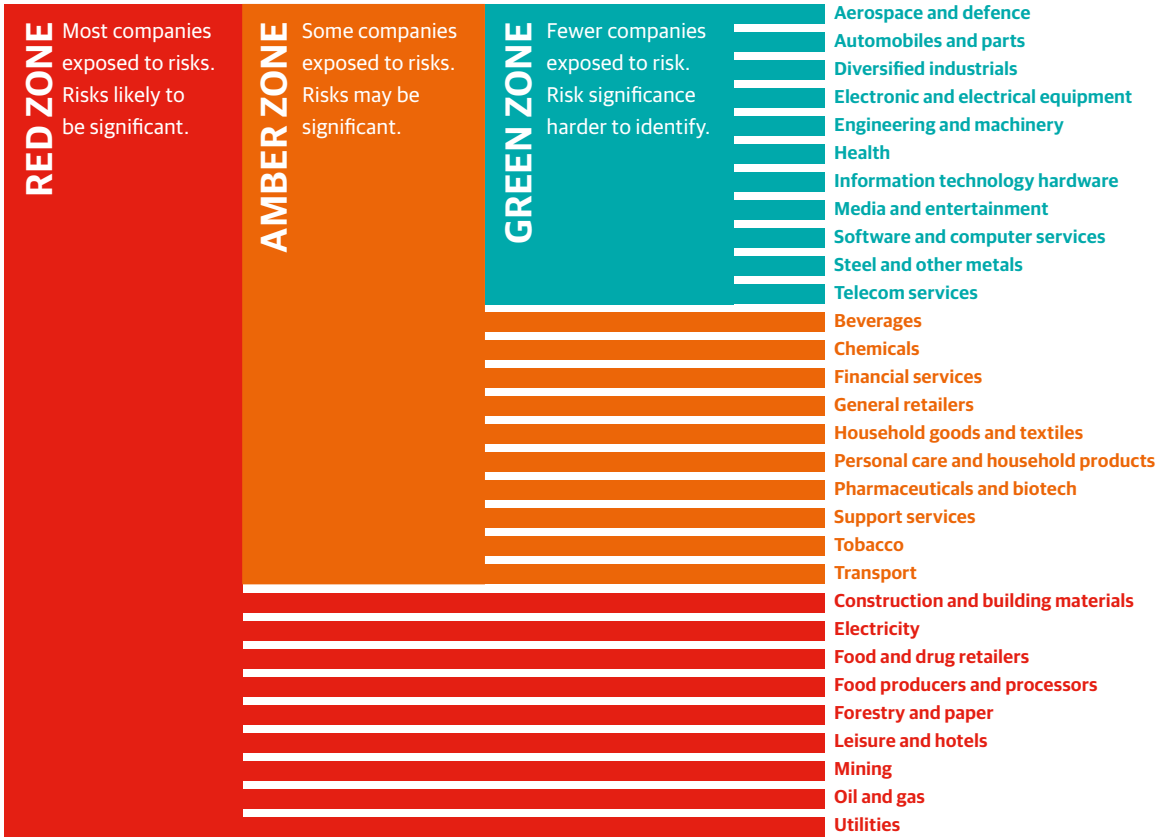
We also became a member of the Partnership for Biodiversity Accounting Financials (PBAF) in 2021. This has allowed us to play a wider role in exchanging expertise among financial institutions and to contribute to a common approach for assessing and measuring the financial sector's biodiversity impacts and dependencies. We will continue to work with PBAF, including towards the development of the PBAF standard for biodiversity impact measurement.

Outcomes

Through our work with PBAF we have contributed to the development of shared approaches and definitions around biodiversity impact assessment for financial institutions, helping to focus investor attention on priority areas. Our desk-based research to understand the hotspots of biodiversity risk in our portfolios has laid the groundwork for direct engagement with companies during 2022.

Developing an engagement framework for investors

To help prioritise our direct company engagement on this issue we have carried out desk-based research to understand which industries and sectors have the greatest impact and are most dependent on biodiversity. The table below shows the sectors that run a risk as a result of the loss of biodiversity.



This is adapted from work by the sustainability consultants CREM and sustainable investment network VBDO.

During 2021, our research found that where companies are disclosing biodiversity-related data, there is a lack of consistency in the methodologies used to understand and quantify impacts. In many high-risk sector cases where biodiversity considerations feature, they have only been integrated in sustainability strategies since 2019.

We therefore plan to engage with all companies in high- and medium-risk sectors throughout 2022 using the following framework:

Governance
The board should establish strong governance and oversight for biodiversity risks, impacts, and dependencies.

Measurement
In the absence of standardised frameworks, the newly launched Taskforce on Nature-related Financial Disclosures (TNFD) provides a reporting model for companies to measure and publicise nature-related impacts.

Target
Companies should have a net-positive impact on biodiversity through their operations and supply chains by 2030.

Strategy
At a strategic level, companies should be integrating and evidencing material impacts, supply chain engagement, and nature-based solutions.

Disclosure
Companies should report regularly in line with best practice frameworks like the TNFD.

Health and wellbeing

A closer look at... health and nutrition

Our activity in 2021

Why health and nutrition matters

Good public health is critical to defining and measuring social wellbeing, economic resilience, and prosperity. Poor health outcomes and unsafe working or living environments have a direct negative impact on individuals. But a failure to support health and wellbeing also threatens the rights of children to education, limits economic opportunities for men and women and increases poverty within communities and countries around the world.

The food sector faces a multitude of risks and opportunities linked to waste, nutrition quality, and the sustainability of production methods and supply chains. Many debilitating illnesses can be linked to obesity, unhealthy food options and excessive levels of food and alcohol consumption. Despite the rapidly increasing cost burden to public health services, health and nutrition issues have so far attracted minimal investor interest. We aim to help reverse that trend.

The risks

Poor public health creates a systemic risk for societies and economies. Conditions related to obesity and overconsumption of unhealthy foods cost UK businesses £27 billion annually.* This is a significant and growing issue, with over half the population classified as overweight or obese. In addition, those on low incomes are especially vulnerable to diet-related health conditions and increased food insecurity.

Food production itself is responsible for a third of global GHG emissions and is a principal driver of biodiversity loss and climate change. A comprehensive independent review of England's food system in 2021 – the National Food Strategy – highlighted the damaging social and environmental effects of our eating habits and characterised current, intensive production models as 'both a miracle and a disaster.'

> *Rathbone Greenbank Investments has been the driving force from the finance sector behind the creation and development of the new Investor Coalition on UK Food Policy.*
>
> **Will Nicholson**
> Project Lead Plating Up Progress, The Food Foundation.

Our work on this issue

Health and nutrition, and the broader issue of food sustainability, has been a priority for us for some time, initially with respect to the Soft Drinks Industry Levy (the sugar tax) and its implications for producers and retailers. More recently, we have focused on sustainable and healthy food systems in partnership with ShareAction's Healthy Markets coalition (tackling childhood obesity in the UK), the Access to Nutrition Foundation (focused on global nutrition quality), and the Food Foundation's Plating up Progress initiative (standardising nutrition and environmental disclosures across the food sector).

While some food sector companies are voluntarily reporting on nutrition quality and environmental performance, there is a lack of consistency in published data, reporting methodologies, and transparency.

In July 2021, we led an open investor letter to the UK government supporting mandatory reporting of nutrition and sustainability metrics. Mandatory reporting would help increase the comparability of data on food industry commitments, targets, and progress, and enable investors to identify potential risks and opportunities. We also called on the government to consider the full range of regulatory tools at its disposal to promote food sustainability, encourage best practice, and relieve social and environmental pressures.

At the time, the coalition of investors supporting our request for bold and ambitious legislative action represented over £3.8 trillion in assets.

With no response forthcoming, we redoubled our efforts to increase investor momentum and welcome new strategic partners. We drew on the Food Foundation's considerable expertise in guiding policy and business practice towards increasing public access to healthy and affordable diets. We also worked closely with Guy's and St. Thomas' Foundation's Impact on Urban Health programme and a core group of investors.

By December 2021 our revised call for action (now supported by a coalition of investors representing £6 trillion in assets) led to initial discussions with government ministers.
We will continue to build momentum behind this initiative and engage with policymakers in 2022.

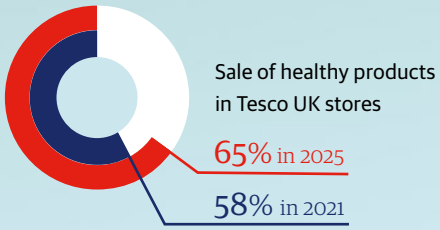
Outcomes

Greenbank galvanised investor interest in the National Food Strategy recommendation on mandatory reporting of health and wider sustainability metrics for food sector companies. This signalled its importance to policymakers and opened the door to further investor-policymaker dialogue on the issue in 2022. By maintaining pressure on retailers we are encouraging them to improve the healthiness of their product portfolio (see Tesco case study on page 20) and we continue to shape the strategic direction of ShareAction's Healthy Markets investor coalition as an advisory group member.

* UK Health Security Agency, 2017

Tesco's progress towards a healthier choice

In February 2021, a group of investors with over £140 billion Assets Under Management (AUM), including some Greenbank clients, filed the first ever health-based resolution in the UK at Tesco. The resolution called on Tesco to commit to increase the proportion of sales generated from healthier products, set a long-term target for doing so, and disclose a strategy to achieve it.



After various meetings with Tesco, we registered a key success in March 2021. Tesco announced it would increase the sale of healthy products from 58% to 65% of total UK sales by 2025, increase sales of plant-based meat alternatives in the same timeframe, and make more products healthier through reformulation.

Broadening our focus, we explored the potential for Tesco to extend these commitments to its central European businesses and encourage its wholesale subsidiary Booker Group to follow its lead.

In April 2021, Tesco pledged to achieve these goals and establish an online portal for buyers to explore a range of nutrition and sustainability metrics.

In recognition of Tesco's actions and its commitment to ongoing engagement with ShareAction and the investor coalition to the end of 2023, we withdrew the resolution.

Inclusive economies

A closer look at... decent housing

Our activity in 2021

Why decent housing matters

The importance of good-quality housing to the maintenance of physical, emotional, and financial wellbeing is hard to overstate. Healthy homes should be structurally sound and hazard-free. They should provide adequate facilities for personal hygiene, food preparation and storage, and quality sleep.

Good housing should also be a haven and a place of refuge for individuals and families, providing both privacy and a focal point for social engagement.

The risks

Poor-quality and poorly maintained housing greatly increases the risks of illnesses and injuries. The Department of Health's HealthKnowledge research platform estimates that 1 in 18 UK homes are below acceptable energy efficiency standards, with a link identified between inadequate home insulation and heating and excess winter deaths.

With housing responsible for around 15% of the UK's total GHG emissions, the sector has a strong motivation to explore and adopt effective decarbonisation strategies. Improving energy efficiency will also help to reduce future energy costs – a welcome relief in an environment of

increasing financial pressures and a priority for the 4.5 million people in the UK living in fuel poverty. The National Housing Federation reported that during the pandemic-enforced lockdown, almost a third of British adults – 15.9 million people – experienced physical or mental distress due to the condition of their homes or the lack of space. Living conditions and space were also cited as contributing factors in increased levels of sleep deprivation and antidepressant use.

Our work on this issue

To date, we have focused our engagement activities on the social housing sector where there is significant scope for us to influence measurable and lasting change. While social housing can provide a route to inclusivity and security, there are clear disparities in the quality of provision and maintenance standards across the industry. We don't just want social housing to put a roof over people's heads – we want it to be sustainable, resilient, and a service that inspires confidence and trust.

> *Greenbank has been an adopter of the Sustainability Reporting Standard (SRS) since it was launched in November 2020. Their ongoing input and feedback, alongside that of other lenders and investors, has enabled the SRS to grow to now be used by over 100 adopters*
>
> **Andy Smith**
> Head of Housing Impact Services

Following an initial review of the social housing sector in 2019, we identified five core performance indicators relevant to safety and tenants' wellbeing:

- compliance with the government's Decent Homes Standard (where we have been instrumental in articulating investor views on proposed amendments and broader regulation)
- the energy efficiency rating of housing stock and the measures being undertaken to align with the government's target for a minimum band C rating for all UK social housing by 2030
- the proportion of housing stock with a valid gas safety certificate
- the number of complaints referred to the Housing Ombudsman Service
- the social value of housing stock – in 2012, the Housing Associations' Charitable Trust (HACT) developed a range of tools for social housing providers to measure the value of their services to people and communities, enhance decision-making, and increase future impacts.

We wrote to 21 UK housing associations and registered housing providers to initiate dialogue regarding these.

Most of the recipients have provided full or partial datasets. We will continue our correspondence with non-responders.

We also became early adopters of The Sustainability Reporting Standard for Social Housing (SRS) which launched in November 2020. The SRS was created to address concerns that the lack of a common reporting standard was limiting Environmental, Social and Governance (ESG) investment in social housing. It also sought to give housing providers clarity on the ESG reporting criteria most relevant to their sector.

We will look forward to reviewing the first round of SRS reports in 2022 and seeing whether the standard has raised the quality of reporting. We will also continue to encourage housing providers to sign up to the SRS.

Outcomes

Our direct engagement with 21 social housing providers illuminated the lack of a common ESG reporting framework for social housing. Our findings helped inform our role as an early adopter of the SRS and helped to catalyse the formation of a sector-level collaborative initiative. This has provided a platform for social housing providers to share best practice and has helped to standardise the approach to reporting on key issues. Greenbank continues to support this initiative and engage directly with providers to encourage improved performance.

Clarion: enhancing social value through housing

Clarion Housing is the UK's largest housing association, owning and managing 125,000 homes for 350,000 residents. In 2019, Clarion became the first UK housing association to adopt the UN's Certified Sustainable Housing Label. Through its Sustainable Development Roadmap, Clarion aims to deliver net zero carbon new homes by 2025. Additionally, Clarion plans to retrofit its existing housing stock to match its new-build commitments and engage with construction, repair, and maintenance partners to accelerate the transition to net zero.

Responding to our initial sector-wide engagement in 2019, Clarion demonstrated how well it was supporting a just transition to a low-carbon business model through its connected thinking on climate change and fuel poverty. Our engagement sought to encourage greater transparency from social housing groups on tenant safety and wellbeing and we welcomed Clarion's participation – alongside Greenbank, other investors and a number of sector peers – in the development of the Sustainability Reporting Standard for Social Housing.

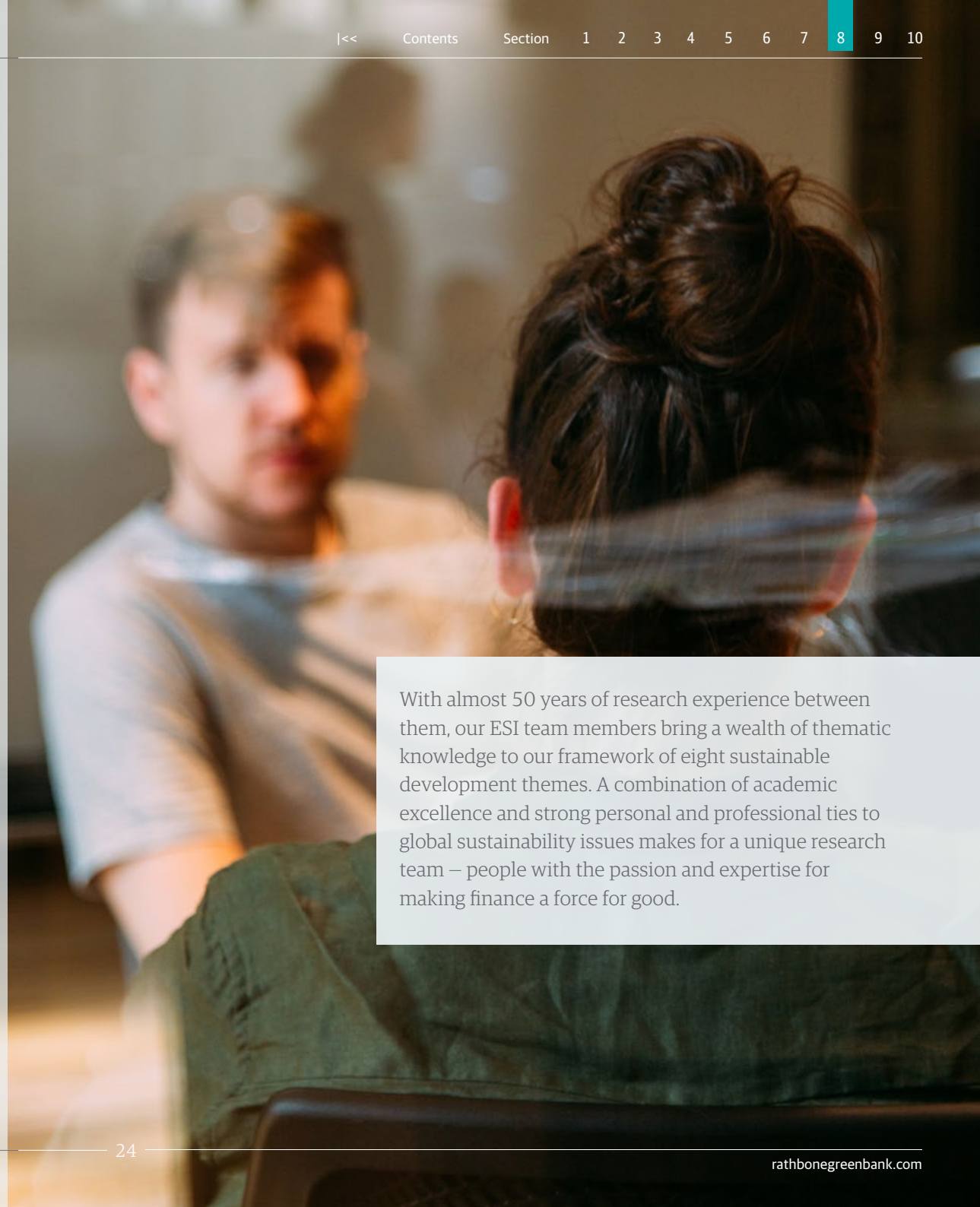
We continued our dialogue with Clarion in 2021, holding a meeting to discuss challenges faced by the group in maintaining high standards for existing tenants through the lifecycle of a regeneration project.

About our ESI Research Team

Our ethical, sustainable and impact (ESI) research team is one of Greenbank's core strengths. The team conducts detailed analysis of investments, reviews how sustainable development themes impact and are impacted by our investments, and undertakes engagement activities to stimulate wider dialogue and action across the investment community.

The team works closely with Greenbank's investment specialists to seek investments that we believe will deliver benefits for people and planet and be resilient in the long term. Our research experience over 20+ years gives us authenticity in the complex and confusing world of ESG investment.

The ongoing growth of Greenbank has led to the expansion of our research team over recent years. Reflecting our commitment to engagement, we created the new role of 'stewardship and engagement lead' in 2022, with Sophie Lawrence being appointed from within the ESI research team. Sophie will oversee key engagement projects and continue to expand our network of partnerships.



With almost 50 years of research experience between them, our ESI team members bring a wealth of thematic knowledge to our framework of eight sustainable development themes. A combination of academic excellence and strong personal and professional ties to global sustainability issues makes for a unique research team – people with the passion and expertise for making finance a force for good.

Kate Elliot
Head of Ethical, Sustainable and Impact Research

Role: I develop and implement Greenbank's framework for analysing companies against a range of sustainable and ethical considerations and set the overall strategic direction of the ESI research team.

Thematic interests and specialisms: I love to explore the links and interdependencies between sustainable development themes, whether that be how the low carbon transition may impact on inequalities in our society or how gender impacts health and employment outcomes.

2021 engagement highlight: Setting our net zero targets in October: the culmination of a huge team effort that was a watershed moment in our long-standing engagement on climate change.

Sophie Lawrence
Stewardship and Engagement Lead

Role: I am responsible for the delivery of key engagement projects, building relationships with external partner organisations, and shaping our engagement strategy, priorities and reporting.

Thematic interests: I am particularly interested in how we can use engagement as a tool to better understand and influence the macro and systemic risks and opportunities that are facing multiple sectors. These include issues such as health and nutrition, biodiversity and climate change.

2021 engagement highlight: I am proud of the £6 trillion strong investor coalition which we built from scratch in support of our letter to the UK government calling for mandatory reporting of health and wider sustainability metrics by food sector companies.

Perry Rudd
Ethical, Sustainable and Impact Adviser

Role: I help oversee the team's company analysis, advise on sustainability trends and lead a number of strategic projects.

Thematic interests: Decent work and aspects such as work-life balance are of particular interest to me, in addition to sustainability and indirect impacts within the financial services industry.

2021 engagement highlight: Encouraging greater participation of companies in the Workforce Disclosure Initiative, helping to expand clear and comparable data on employment performance.

Kai Johns
Ethical, Sustainable and Impact Researcher

Role: I conduct ESI analysis of new ideas and companies in our investment universe, with a focus on assessing a range of data sources and integrating them into our research process.

Thematic interests: My focus is on climate risk assessment across Greenbank's portfolio and themes linked to climate solutions, net zero and smart cities.

2021 engagement highlight: Our work on sustainability disclosures in the social housing sector being featured as a case study in a Financing a Just Transition Alliance paper on investor actions.

Charlie Young
Assistant Ethical, Sustainable and Impact Researcher

Role: I support the wider ESI team on sustainable and thematic research and engagement, in addition to updating companies' sustainability profiles and monitoring daily news.

Thematic interests: My main interests are biodiversity and the possibility of a possible 'sixth mass extinction', as well as health and nutrition, which has been an issue that has historically lacked sufficient investor attention.

2021 engagement highlight: Greenbank becoming a member of the Partnership for Biodiversity Accounting Financials (PBAF) and taking an active role in developing the key principles that can support financial institutions to effectively measure and monitor biodiversity risks.

Katherine Farr
Assistant Ethical, Sustainable and Impact Researcher

Role: I review the ESI performance of companies in the Greenbank universe in addition to supporting the team's engagement activities and thematic research.

Thematic interests: Sustainable food systems and innovation in agriculture are areas of real interest as are some of the more overlooked aspects of human rights and company due diligence.

2021 engagement highlight: Working with the Investor Alliance on Human Rights to encourage Microsoft and Vodafone to improve how they manage risks linked to digital human rights.

Magnifying our impact through partnerships

The Food Foundation

Independent organisation working to change food policy and business practice to ensure food access and healthy diet for all (collaborating since 2019).

ACCESS TO NUTRITION INITIATIVE

Dedicated to assessing and improving contributions of the private sector to global nutrition challenges; conducts independent ranking of companies' nutrition-related commitments, practices and performance (signatory since 2017).

PBAF Partnership for Biodiversity Accounting Financials

An industry-led partnership facilitating the financial industry to transparently assess and disclose their impact and dependency on biodiversity (member since 2021).

Finance for Biodiversity Pledge

A group of financial institutions committed to assessing the impact of their investments on biodiversity and to collaborating and sharing knowledge with other institutions (signatory since 2020).

IIGCC The Institutional Investors Group on Climate Change

Collaborative platform for investors to encourage public policies, investment practice and corporate behaviour addressing long-term risks and opportunities associated with climate change (member since 2015).

WDi Workforce Disclosure Initiative

ShareAction initiative seeking to improve quantity and quality of corporate disclosures on employment and supply chains (signatory since 2017).

ShareAction»

A UK charity that is building a movement for responsible investment among savers and investors and shaping public policy around the issue (collaborating since 2010).

THE GOOD ECONOMY

Led the process of researching and developing the criteria behind the Sustainability Reporting Standard for Social Housing as part of a collaboration of 18 housing associations, lenders, investors and sector experts (collaborating since 2019).

> *As an experienced PBAF partner, Rathbone Greenbank Investments provided a key contribution to the discussions in the PBAF Working group on Asset Management. Not just by sharing Greenbank's experience with biodiversity impact assessment and engagement, but also by critically reflecting on the draft guidance provided by the PBAF Standard v2022.*

Wijnand Broer
PBAF Programme Manager

"Rathbone Greenbank Investments has been the driving force from the finance sector behind the creation and development of the new Investor Coalition on UK Food Policy. The coalition, set up by Rathbone Greenbank Investments and The Food Foundation, recognises the need for government regulation that both requires and encourages businesses to accelerate their transition to healthy, affordable and sustainable food. The starting point for this has been to support the National Food Strategy's recommendation for mandatory reporting of food industry sales of healthy and sustainable food, a recommendation which now looks likely to be adopted by the Government.

Through meetings with government ministers and departments, the coalition is now looking to secure a more formal way of working on food policy, and to be an important voice in the Government's proposed Food Data Transparency Partnership."

Will Nicholson
Project Lead Plating Up Progress, The Food Foundation

CDP DISCLOSURE INSIGHT ACTION

Encourages disclosure of meaningful and consistent environmental information; focused on measurement of risks and opportunities associated with climate change but expanded to include water security and deforestation (signatory since 2002; investor member since 2015).

Climate Action 100+ Global Investors Driving Business Transition

Investor engagement initiative ensuring world's largest corporate GHG emitters take action on climate change; engagement streams focus on climate scenarios, lobbying, disclosure and executive pay (member since 2017; joined 'Aiming for A' precursor in 2012).

BBFAW Business Benchmark on Farm Animal Welfare

Leading global measure of farm animal welfare management, policy commitment, performance and disclosure in food companies (supporter since 2011).

FAIRR Network Member FAIRR A COLLER INITIATIVE

Global network of investors addressing ESG issues in protein supply chains; engagement work has covered issues such as antibiotic use and sustainable protein supply chains (member since 2018).

access to medicine index

Provides annual analysis of how 20 of the largest global pharmaceutical companies are addressing access to medicine in low to middle income countries (collaborated since 2018).

We are a Living Wage Employer

UK campaigning organisation aiming to persuade employers to pay a 'real' living wage; also engaging with portfolio companies to encourage wider adoption (accredited employer since 2012).

UKSIF UK Sustainable Investment and Finance Association

Membership organisation for those in the UK finance industry committed to growing sustainable and responsible finance (member since 1998).

eccr The Ecumenical Council for Corporate Responsibility

Faith-based investor coalition involved in advocacy and raising awareness on issues of business, human rights and environmental stewardship (member since 1998).

Signatory of: PRI Principles for Responsible Investment

Global network of investors which promotes the incorporation of ESG factors into investment decisions. It also has a collaboration platform which facilitates large-scale engagement projects (signatory since 2009).

Contact us

For further information on the services that we provide, or to arrange a meeting, please contact us.

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Look forward