

Rathbone Unit Trust Management Limited
&
Rathbone Greenbank Investments



European SRI Transparency Guidelines
First Statement of Commitment
1st December 2008 to 30th November 2009

European SRI Transparency Guidelines

Rathbone Unit Trust Management Limited (“RUTM”), a subsidiary of Rathbone Brothers plc (“Rathbones”)

Rathbone Greenbank Investments (“Rathbone Greenbank”), a trading name of Rathbone Investment Management Limited (“RIM”), a subsidiary of Rathbone Brothers plc

Statement of Commitment

For many years, individual investment managers within RIM have been involved in managing portfolios for private clients, trusts and charities with mandates based either on strong religious beliefs or ethical concerns.

Since 1997, when the ethical investment team formerly at Albert E Sharp joined Rathbones, RIM has offered a dedicated responsible investment service. In 2004, this unit was formally rebranded as “Rathbone Greenbank Investments” and now manages portfolios representing funds under management in excess of £350 million¹.

In 2002, RUTM launched the Rathbone Ethical Bond Fund (“REBF”), a corporate bond fund investing in sterling-denominated bonds issued by companies or institutions which meet the fund’s specified ethical criteria. Rathbone Greenbank’s ethical research team works in conjunction with REBF’s manager to ensure that investment is only made in bonds issued by approved organisations.

RUTM and Rathbone Greenbank both welcome the European SRI Transparency Guidelines, to which this is their first formal statement of commitment, and is valid for the period 1st December 2008 to 30th November 2009.

Our full response to the European SRI Transparency Guidelines will be accessible on RUTM’s website at www.rutm.com.

Compliance with the Transparency Guidelines

RUTM is committed to transparency and we believe that we are as transparent as possible given the regulatory and competitive environments that exist in the countries in which we operate.

RUTM believes that it meets the full recommendations of the European SRI Transparency Guidelines with the exception of QUESTION 6, which it does not feel is appropriate for a fund of the type in question.

30th November 2009

¹ As at 30th November 2009

Guideline Categories

Section 1. Basic Details	
1	Signatories* should be clear about who they are and provide background information on the fund*, and the fund manager*.
1a	Provide the name of the fund(s) and fund manager to which these guidelines apply.
	Rathbone Ethical Bond Fund (Manager: Bryn Jones) Rathbone Unit Trust Management
1b	Provide contact details for further information regarding the funds.
	Rathbone Unit Trust Management Limited 159 New Bond Street London W1S 2UD Telephone: 020 7399 0000 Facsimile: 020 7399 0057 Website: www.rutm.com Email: rutm@rathbones.com
1c	What is the size of the fund? In currency at a specified date.
	£41.06 million (mid-market value as at 30 th October 2009).
1d	Where can financial performance history data about the fund be found?
	Fund factsheets and quarterly investment reports detailing the fund's performance history can be found at www.rutm.com under "Our Funds".
1e	Provide details of the content, frequency and means of communicating information to investors.
	<ul style="list-style-type: none"> • Monthly: Rathbone Ethical Bond Fund Factsheet summarises fund performance for the period, sector asset allocation, ten largest holdings and credit quality and maturity distribution. • Quarterly: Rathbone Ethical Bond Fund Quarterly investment report offers brief overview of the fund, portfolio changes for the period and economic outlook. • Bi-annual: Rathbone Ethical Bond Fund Manager Report (April & October). Both short and long versions of interim and annual reports are published alternately every six months. Contents include manager's report, ethical report (long version), full list of holdings (long version) and ten largest holdings (short version). <p>An archive of all reports is available at www.rutm.com.</p>
Additional	Briefly describe the corporate responsibility policies of the organisation that manages or promotes the fund(s), or give direction to where this information can be located.
	<p>Rathbones has implemented corporate responsibility policies relating to the Group's environmental impacts, employee welfare & benefits and community involvement. Progress is reported annually in the Group's report and accounts and via its website at:</p> <p>http://www.rathbones.com/corporate-responsibility.aspx</p> <p>Rathbones has demonstrated its support for socially responsible investing by being a signatory to the UN Principles for Responsible Investment and the Carbon Disclosure Project. Rathbone Greenbank is also a member of UK Sustainable Investment and Finance.</p>

Section 2. SRI Investment Criteria	
2	Signatories should be clear about their purpose* and investment criteria*.
2a	How does the fund define SRI?
	<p>In general terms, for the fund, we define “socially responsible investment” as an investment strategy in which we believe that long-term growth can be achieved by companies which conduct their business and apply capital responsibly, giving full consideration to a range of social, environmental and ethical issues as they might affect concerned parties (employees, customers, shareholders, etc) as well as wider society.</p> <p>Specifically, the fund applies key negative exclusion criteria to issuers of corporate bonds before ensuring that any issuers not in breach of these satisfy at least one of the fund’s positive activity requirements.</p>
2b	What are the SRI investment criteria of the fund?
	<p>The fund’s SRI criteria are defined in the Rathbone Ethical Bond Fund investment criteria section of the Fund Brochure, available at: http://www.rutm.com/ia/fund-rathbone-ethical-bond-fund.aspx</p> <p><u>Negative exclusions</u></p> <p>The fund shall exclude bonds issued by companies where they, or their ultimate holding company, are wholly or predominantly involved in the following activities:</p> <ul style="list-style-type: none"> • Alcohol: Production of alcoholic beverages. • Animal testing: Provision of animal testing facilities; use of animals in the discovery or development of pharmaceutical or healthcare products; manufacture or retail without adopting a fixed cut-off date policy with regard to the testing of cosmetic or household products (and their ingredients) on animals. • Armaments: Manufacture or sale of strategic weapon systems, ordnance or combat vehicles. • Environmentally unsustainable or high-impact activities: Mineral extraction; fossil fuel exploration and production; quarrying; agrochemical production; production of genetically modified seeds or foodstuffs; sale of hardwood products from non-sustainable sources; motor car manufacturing; road building; convictions for serious or persistent pollution offences. • Gambling: Betting or gaming (including casinos, betting shops and internet-based services). • Nuclear power: Generation of electricity from nuclear power; construction of nuclear power plants, or handling or reprocessing of radioactive waste. • Pornography: Production or sale of pornographic material. • Tobacco: Manufacture of tobacco or tobacco products. <p><u>Positive aspects</u></p> <p>To qualify for inclusion in the fund’s universe, companies issuing bonds should demonstrate progressive or well-developed practice or policies in one or more of the following key areas:</p> <ul style="list-style-type: none"> • Management of environmental impacts: Publication of policy for managing environmental impacts, including monitoring and reporting on progress against key performance indicators in areas such as consumption of resources, emissions to air, discharges to land and water, waste disposal and recycling. • Human rights: Compliance with local and national standards in accordance with minimums set by the International Labour Organization and United Nations Universal Declaration of Human Rights; alternatively, the implementation of appropriate codes of conduct to ensure compliance with local laws addressing issues of child labour, working conditions and health & safety. • Provision of beneficial products and services: Provision of products or services offering social or environmental benefits. Such activities might include: designing or implementing cleaner or more efficient industrial processes; enabling compliance with health & safety legislation; supplying educational products or services; providing waste recycling or acceptable forms of waste management (excluding energy-from-waste

	<p>incineration); providing social housing; manufacturing, installing or operating renewable energy infrastructure; building or operating sustainable transport systems.</p> <ul style="list-style-type: none"> • Corporate community investment: Long-term involvement in programmes of benefit to the community, either via cash donations or gifts in kind (e.g. staff time, use of buildings or office facilities); or membership of corporate donation benchmarking groups such as Business in the Community's PerCent Club or the London Benchmarking Group. • Employment: Commitment to workplace diversity and equal opportunities; facilitation of employee work/life balance through flexible working arrangements, carers' leave and/or childcare facilities.
2c	<i>How are the SRI criteria defined, and how frequently and by whom are the criteria reviewed?</i>
	Criteria are defined with reference to the fund's ethical committee which meets once a year as part of the fund's annual review process. Changes to criteria are expected to be infrequent: none have occurred since the fund's launch in 2002. Any proposed changes would be published in the subsequent annual report. Comments would be invited from investors; if none are received, then the changes would be implemented.
2d	<i>How are criteria changes communicated to investors?</i>
	Any changes to the fund's ethical criteria will be communicated through the annual report.

Section 3. Research Process

3	Signatories should provide information on their research process.
3a	Describe your SRI research methodology and process.
	<p>Application of the fund's ethical investment criteria is carried out by Rathbone Greenbank's ethical research team, which maintains a database of company profiles covering mainly FTSE 350 equities, but also including selected overseas stocks. Companies are assessed against some 35 positive and negative top-level social and environmental criteria, comprising a further 150 distinct sub-criteria. Ratings are assigned on a scale of 1-3 for sub-criteria (weighted for relevance according to each company's sector) and a cumulative score is then calculated for each of the top-level criteria, again on a scale of 1-3.</p> <p>To achieve consistency of rating, companies are assessed on both a bottom-up (looking in detail at the specific merits of their individual activities and how they address corporate responsibility issues) and a top-down approach (evaluating this performance in comparison to their peers in terms of the range of CR issues covered and quality of response).</p> <p>In addition to the reporting outputs of companies themselves, the ethical research team accesses a variety of sources (industry groups, NGOs, sell-side analysts, external research bodies) to arrive at a balanced view of companies' overall performance.</p> <p>Research is also conducted on a thematic basis and has examined such topics as: climate change, clean energy, human rights, community investment and employee welfare. Given the significant overlap between constituents of this database and the fund's investable universe (defined as the constituents of the iBoxx index of sterling-denominated corporate bonds), this research is applicable in the context of the fund's ethical criteria as well.</p> <p>Where bond issuers are not covered by the equity research, separate investigation is carried out in the same way to determine whether it is appropriate for issuers to be approved for inclusion in the fund's universe.</p>
3b	Does the fund manager use an in-house research team and/or an external research team? Please explain.
	The fund manager uses Rathbone Greenbank's in-house research team comprising three full-time staff (Perry Rudd, Matt Crossman & Kate Elliot). The team does not use an external research service, but has access to research provided by sell-side SRI analysts.
3c	Is there an external control or external verification process in place for the research process? Where an Advisory Committee is used, please state its responsibilities.
	The fund does not have an external committee or verification process; it believes this control is provided by accountability to investors and public scrutiny. The complete portfolio is published in the annual report (long version). Unitholders and others are encouraged to comment on the fund's holdings and how they view the application of its ethical criteria.
3d	Does the research process include stakeholder consultation? If yes, please provide details.
	No.
3e	Do companies have the opportunity to see their profile or analysis? If yes, how often?
	No.
3f	How frequently is the research process reviewed?
	Annually, at the fund's review meeting.
3g	What research findings are disclosed to the public? How?
	The ten largest holdings are disclosed monthly and a full list of holdings is published in the long version of the fund's annual report. A limited number of brief "case studies" for selected holdings are published as part of the fund's literature.

Section 4. Evaluation and Implementation	
4	<i>Signatories should provide information on how the research is used to build and maintain their portfolio*.</i>
4a	<i>How are the results of research integrated into the investment process, including selection and approval of companies for investment?</i>
	<ol style="list-style-type: none"> 1. The fund manager will first identify corporate bonds that represent an attractive investment proposition. 2. Companies issuing these bonds will then be screened by Rathbone Greenbank's ethical research team in accordance with the fund's ethical criteria. 3. Issuing companies involved in any activities that fall into the categories outlined by negative criteria (as per section 2b above) will not be considered for inclusion in the fund universe. 4. Issuing companies demonstrating well-developed policies and practices in at least one of the positive areas (as per section 2b above) will be included in the fund universe provided they are not involved in any areas of negative concern. 5. Companies identified as being suitable at this stage will then be subject to the consensus approval of at least two senior members of the Rathbone Greenbank team.
4b	<i>What internal or external measures are in place to ensure portfolio holdings* comply with SRI investment criteria?</i>
	At the time of investment, the fund manager is required to have clear approval from the ethical committee. This is complemented by a review of all holdings at the annual review meeting. The portfolio is open to public scrutiny: comments and questions are invited on any of the holdings in the portfolio.
4c	<i>What is the policy and procedure for divestments* on SRI grounds?</i>
	Divestments are very uncommon. If the activities of an issuer change, so that a bond is no longer suitable for the fund, the fund manager would normally seek to sell the holding within three months. If the bond is particularly illiquid and selling is difficult, the manager can take up to six months. If the bond is within two years of redemption, it can be held to maturity if the fund manager believes selling it earlier would be prejudicial to the overall performance of the fund.
4d	<i>Are investors informed about divestments on SRI grounds? If yes, how frequently and by what means?</i>
	Any divestments, or proposed divestments, made on SRI grounds, would be mentioned in the ethical report section of the annual report.
4e	<i>Does the fund manager inform companies of portfolio exclusions* or divestments due to non-compliance with its SRI policy and criteria?</i>
	No.
Additional	<i>To what extent do any results of engagement* activities feed into company selection?</i>
	None.

Section 5. Engagement Approach**	
5	<i>Signatories should explain their approach to engagement if the fund has such a policy.</i>
	<p>The fund itself does not have a formal engagement policy as part of its strategy, but the ethical research team of Rathbone Greenbank, which provides ethical screening services for the fund, regularly engages with companies on a variety of issues.</p> <p>Whilst this activity is primarily undertaken on behalf of Rathbone Greenbank's private clients, where corporate bond holdings in the fund overlap with Rathbone Greenbank's equity holdings, the team will engage with companies on behalf of all concerned parties.</p> <p>Responses below should be read in this context.</p>
5a	<i>What are the aims of the engagement policy?</i>
	<p>Engagement forms a key part of Rathbone Greenbank's approach to responsible investment. It is used in the following ways:</p> <ul style="list-style-type: none"> • To address direct concerns about a specific company issue or area of performance; • To encourage best practice, providing internal momentum for positive change within companies; • In the context of a "best of sector" investment strategy, to encourage companies within "controversial" or high environmental impact sectors (e.g. oil & gas, pharmaceuticals) towards more positive behaviour or better disclosure. <p>Engagement will be guided by the following principles:</p> <ul style="list-style-type: none"> • Rathbone Greenbank will seek open and constructive dialogue in a spirit of long-term partnership; • Engagement will be made on the basis of corroborated evidence or research which is of a rigorous and independent nature.
5b	<i>How does the fund prioritise with which companies it will engage?</i>
	<p>The following factors will guide the issues chosen for engagement:</p> <ul style="list-style-type: none"> • Large or widespread holdings among Rathbone Greenbank fund managers on issues material to clients; deeper engagement on a more focused range of issues is preferred; • Rathbone Greenbank welcomes and gives due consideration to suggestions for specific engagement topics from clients; • Rathbone Greenbank favours engagement on those issues where it has particular expertise, or where positive outcomes are clearly identifiable, in order to make most effective use of time and resources.
5c	<i>Who undertakes engagement on behalf of the fund?</i>
	Matt Crossman is the Rathbone Greenbank ethical research team member with responsibility for corporate engagement.
5d	<i>What methods of engagement are employed?</i>
	<ul style="list-style-type: none"> • Formal and informal correspondence and/or meetings with company representatives; • Where appropriate, Rathbone Greenbank will seek to collaborate with other members of the SRI community as well as other fund managers within RIM. When doing so, the principles stated above will guide the level of involvement and choice of partners.
5e	<i>How is the effectiveness of engagement activity monitored/addressed?</i>
	<p>In measuring the effectiveness of its engagement strategy, Rathbone Greenbank will:</p> <ul style="list-style-type: none"> • Consider any material changes in company policy or performance achieved from year to year, in the course of the ethical research team's regular updating of company profiles; • Aim to report at least once a year the scope and number of engagement activities undertaken to clients.
5f	<i>What further steps, if any, are taken if engagement is considered unsuccessful?</i>
	Should dialogue fail, Rathbone Greenbank will seek to utilise more formal methods. This

	may include voting on remuneration reports and other AGM resolutions; attending AGMs to pose questions; and using nominee shareholdings in companies to table resolutions as part of AGM business. Rathbone Greenbank will aim to communicate voting preferences to the company beforehand.
5g	<i>How, and how frequently, are engagement activities communicated to investors and other stakeholders?</i>
	Any engagement activity undertaken specifically with regard to holdings in the fund will be communicated through the annual report.

Section 6. Voting Policy**

6	<i>Signatories should make clear their policies on voting*.</i>
6a	<i>Does the fund have a voting policy? If so, what is it?</i>
	No – not applicable. The fund is a corporate bond fund and voting rights do not ordinarily attach to its underlying holdings.
6b	<i>Does the fund disclose its voting practices and reasoning for decisions? If so, where can this information be found?</i>
	Not applicable – see 6a.
6c	<i>Does the fund sponsor/co-sponsor shareholder resolutions?</i>
	Not applicable – see 6a.

Section 7. Periodical Activities

7	<i>Signatories should periodically disclose information about their activities. This should be done at least on an annual basis.</i>
7a	<i>List the fund holdings at a specified date within the last 6 months.</i>
	The ten largest holdings in the fund are available in the short version of the Manager Report at: http://www.rutm.com/ia/fund-rathbone-ethical-bond-fund.aspx A full list of fund holdings is published in the long version of this report, which is available on request.
7b	<i>What engagement activity has been carried out on behalf of the fund during the past year?</i>
	None.
7c	<i>What voting actions occurred that were related to the SRI fund criteria?</i>
	None.
Additional	<i>What divestments occurred in the past year related to the SRI fund criteria?</i>
	None.
Additional	<i>What were the amount of donations and the percentage of management fees that the fund gave to charities this past year?</i>
	None.

** if applicable

Definitions of key terms used in the guidelines

Definitions of key terms have been included to assist those reporting in line with the Guidelines as well as consumers who will use the information reported. Words appearing in the guidelines that have definitions are cited by a * next to them.

Term	Definition
SRI Investment Criteria	The principle or standard of judgement used to determine what the fund can and cannot invest in from an environmental, social or ethical perspective.
Divestments	Companies that are sold from the fund portfolio.
Engagement	A long term process of dialogue with companies which seeks to influence company behaviour in relation to their social, ethical and environmental practices.
Exclusion	The exclusion of sectors or companies from a fund if involved in certain activities based on specific SRI fund criteria (i.e. no tobacco or no animal testing).
Fund manager	The entity responsible for overall management of the fund.
Fund(s)	A legal entity, the purpose of which is solely the acquisition of portfolio investments. This also includes compartments and sub-funds.
Holdings	Equities and/or bonds of companies that collectively comprise the fund portfolio.
Portfolio	A collection of investments managed by the fund manager.
Fund Purpose	The spirit and overall focus of the fund, but not the investment criteria employed.
Signatories	Fund(s) and/or fund manager that commits to disclose SRI information in line with the Guidelines.
Voting Policy	Policy of a fund to exercise its voting rights as investors to influence company behaviour.

National social investment fora to date include:

- Belsif, Belgium
- Forum Nachhaltige Geldanlagen, Germany, Austria and Switzerland
- Forum per la Finanza Sostenibile, Italy
- Forum pour l'Investissement Responsable, France
- Swesif, Sweden
- UK Sustainable Investment & Finance, UK
- VBDO (Vereniging van Beleggers voor Duurzame Ontwikkeling), The Netherlands

For further information contact Eurosif at +331 40 20 43 38 or at contact@eurosif.org.



The European SRI Transparency logo signifies that Rathbone Unit Trust Management Limited commits to provide accurate, adequate and timely information to enable stakeholders, in particular consumers, to understand the Socially Responsible Investment (SRI) policies and practices relating to the fund.

Detailed information about the European SRI Transparency Guidelines can be found on www.eurosif.org, and information of the SRI policies and practices of the Rathbone Ethical Bond Fund can be found at: www.rutm.com.

The Transparency Guidelines are managed by Eurosif, an independent organisation. The European SRI Transparency Logo reflects the fund manager's commitment as detailed above and should not be taken as an endorsement of any particular company, organisation or individual.