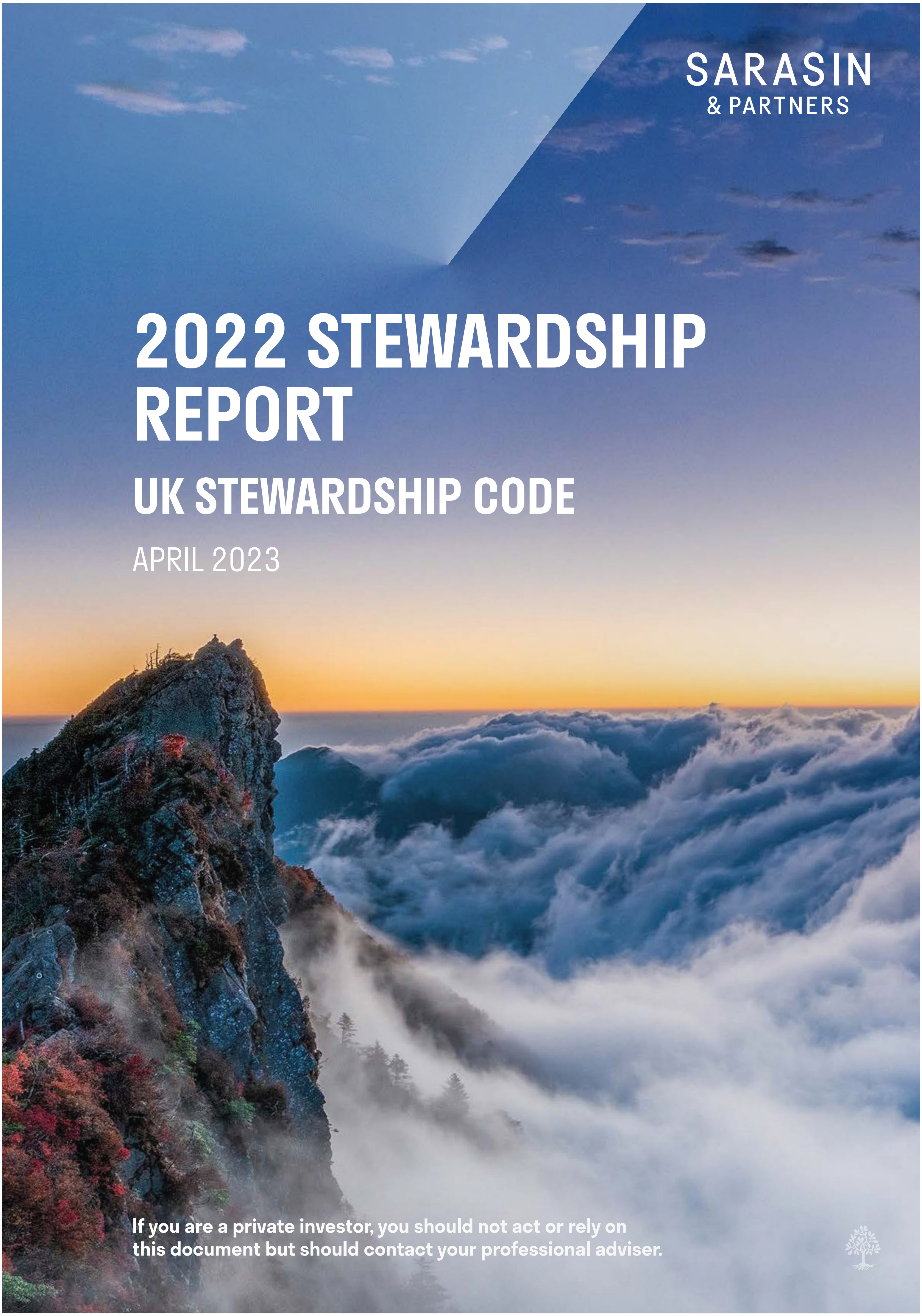


SARASIN
& PARTNERS

2022 STEWARDSHIP REPORT

UK STEWARDSHIP CODE

APRIL 2023

If you are a private investor, you should not act or rely on this document but should contact your professional adviser.

INTRODUCTION

We believe investors have the power to grow and protect capital in a way that benefits society. This is why engaged stewardship is at the core of how we manage our clients' assets. Our global, long-term, thematic investment approach embeds rigorous environmental, social and governance (ESG) analysis.

We favour a proactive ownership discipline which promotes sustainable behaviour in investee companies. We are also committed to press for changes in the wider market that support sustainable growth. These elements aim to be mutually reinforcing, creating a virtuous cycle of research, capital allocation and influence, working together towards positive change.

The Russian invasion of Ukraine provided a stark backdrop for our work in 2022. One of the most significant consequences of the war was the dramatic rise in energy prices, feeding through to the global economy. Spikes in inflation and rising interest rates led to cost of living challenges for populations across the world.

Despite a short-term search for alternative fossil fuels to replace Russian oil and gas, most evidence suggests the lasting impact of the war will be an acceleration of the low-carbon energy transition. While geopolitical and economic uncertainty continued to unsettle markets during the year, we remained steadfast in our long-term stewardship approach. Indeed, it is in the face of challenges to human prosperity that we should continue focusing on the positive role companies can play.

During 2022 we continued our stewardship efforts across our core initiatives, ranging from climate change, diversity and inclusion, human rights, good governance to accounting and audit, as well as responsible technology.

We aim to align our investment approach with the Paris Climate Agreement's goal of keeping temperature increases to well below 2˚C and ideally 1.5˚C. We published a Net Zero Action Plan in February, outlining how we use the levers at our disposal to promote this goal and underlining our focus on driving real-world emission reductions, rather than divestment-driven portfolio solutions.

Regarding policy outreach, we continued having strong traction on climate-related accounting and audit disclosures. We worked alongside other investors to press companies, standard setters and regulators to ensure the market has the information it needs to deploy capital in a way that is consistent with a 1.5˚C pathway.

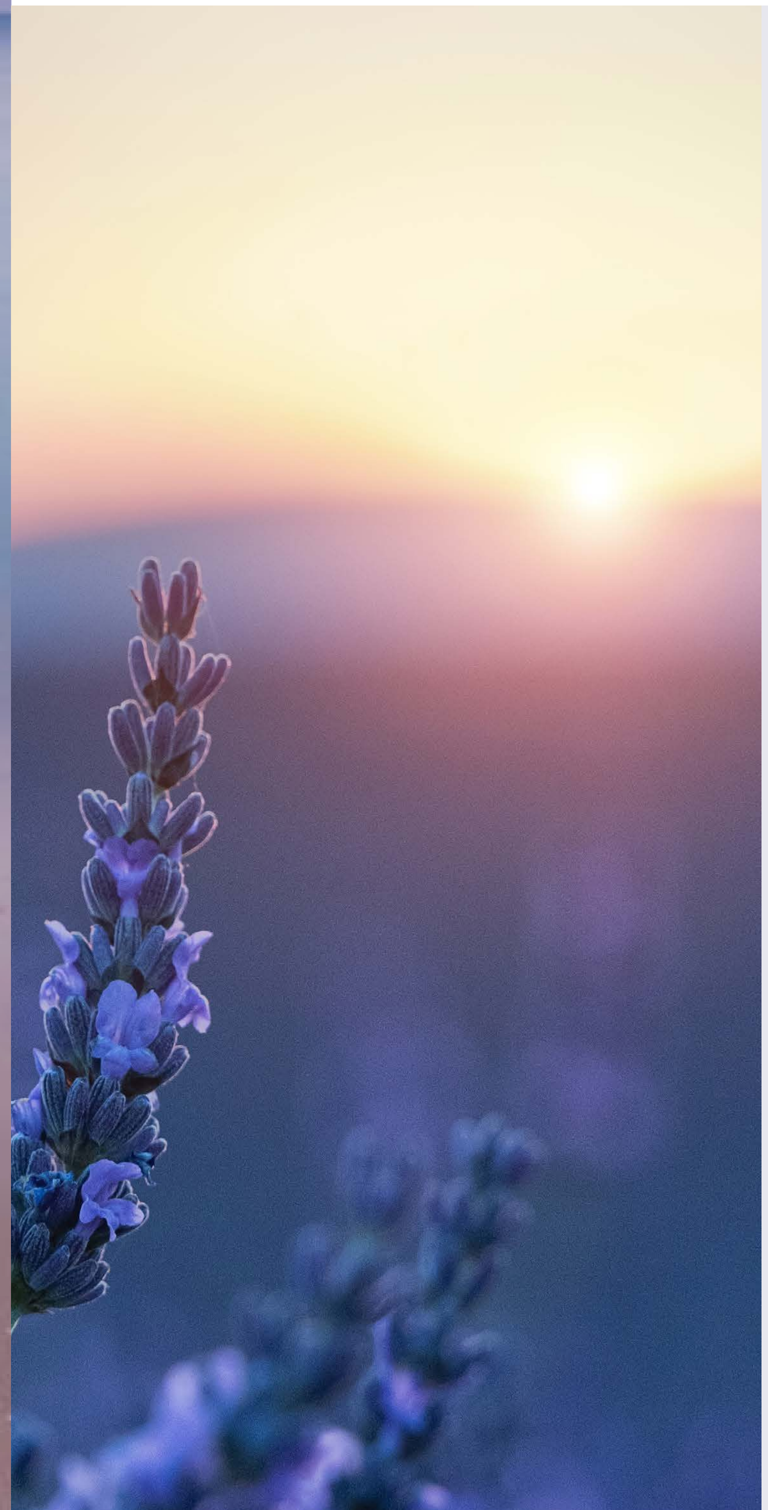
Added to this, we enhanced our focus on ethnic diversity. During the year we assumed leadership of the 30% Club UK Investor Group Race Working Group. The group engages with UK-listed companies to improve the representation of women of colour in senior positions.

Voting remained a central tool for driving change. We continued to lead in linking our director and auditor votes to our engagement priorities. In September we released a stand-alone Net Zero voting policy, drawing public attention to the importance of asset managers using their votes in a way that is consistent with their commitments to promote climate action.

We welcomed enhanced regulation aimed at curbing asset manager greenwashing. We have increased our own resources and reporting functionality. Our new Engagement Tracker and Engagement Reporting Tool ensure we have reliable and accessible engagement statistics, and critically, that our clients have better insights into our stewardship work, including the impacts we achieve.

We hope that this report is fair, balanced and understandable and, above all, demonstrates to our clients and other interested stakeholders that we are committed to fully meeting the expectations set out in each of the Principles of the UK Stewardship Code.

CONTENTS



PRINCIPLE 1

PURPOSE, STRATEGY AND CULTURE

Sarasin & Partners LLP is a London-based limited liability partnership offering discretionary asset management services to charities, institutional and private clients in the UK and around the world. Our assets under management amount to £18.3 billion (as at 31 December 2022).

OUR PURPOSE AND MISSION

Our purpose is encapsulated in our mission statement:

Think thematically. Invest responsibly. Drive change. Together we can secure tomorrow.

We believe investors have the power to grow and protect capital in a way that benefits society. We take a global, long-term, thematic approach to investing – with engaged stewardship at its core. Through integrated environmental, social and governance (ESG) considerations, active ownership and impactful policy outreach, we aim to improve financial outcomes for our clients and help secure tomorrow.

OUR CORE VALUES

Our core values underpin our culture: how we behave on a day-to-day basis, what we prioritise and how we confront problems.

We hope this report will demonstrate how these core values inform our investment approach, how we support our clients, how we interact with other external stakeholders and how we make business decisions.

We highlight three core values that we believe are most important to the way we manage our clients' assets:

PARTNERSHIP

We look after our clients' interests as if they are our own.

PEOPLE

We believe in the power of teamwork: everyone matters and we recognise that we are stronger together than as individuals. Diversity in all forms strengthens us.

STEWARDSHIP

We are long-term investors, actively working to secure a sustainable future and enduring value for our clients.

Across all assets, we undertake rigorous bottom-up analysis to identify leaders that offer attractive and sustainable return prospects as a result of the value they deliver.

OUR BELIEFS

SUSTAINABLE RETURNS DEPEND ON LONG-TERM INVESTMENTS AND PROACTIVE STEWARDSHIP

Our approach to responsible investment and stewardship is rooted in certain **beliefs**, as set out below:

We look to the long term. We purchase shares or fixed income securities where there is a case for enduring value creation, and where this is currently under-appreciated by the market. Our thematic approach guides us towards markets and activities that will benefit a sustainable society, and thus offer long-term growth opportunities.

We believe that responsible and sustainable entities create more enduring value. Specifically, we favour entities that articulate compelling long-term strategies, and take seriously their responsibilities to their customers, staff, local communities, the environment and their investors. We seek to avoid issuers whose success depends on imposing material adverse impacts on society and/or the environment, which we do not feel could be addressed through active engagement with the board.

We believe we add value by engaging with the leadership of entities that our clients hold, supporting their long-term value-enhancing action, whilst challenging unsustainable behaviour where it exists. Responsible and proactive ownership work is as important as a considered approach to selecting which securities to buy or hold.

It is important to apply judgment. We understand that the world is complex. Standards, rules and expectations vary between countries and communities, and the potential for unintended consequences is high. We therefore avoid hard and fast rules, and are guided by a focus on our goal of delivering enduring value in a manner that promotes a sustainable society.

We believe in a holistic approach. We believe that our clients' interests are best served by contributing to a sustainable market environment. Barriers to sustainable growth often do not originate with companies, but rather come from poorly designed policies or market practices. We aim to understand market-wide dynamics, not ignore them. Where we see policies, practices or behaviours that are contrary to long-term sustainable growth, and we believe we can catalyse a positive change, we will engage with key market influencers – whether governments, regulators, standard setters or others – to press for change.

CASE STUDY: SARASIN FOCUSES ON NET-ZERO ALIGNMENT

As a founding signatory to the Net Zero Asset Managers' Initiative (NZAM), we aim to align our investment approach with the Paris Climate Agreement's goal of keeping temperature increases to well below 2°C and ideally 1.5°C.

Our NZAM Action Plan, published in February 2022, describes how we are using the levers at our disposal to achieve this goal.

The key elements of our approach are to embed our net-zero goal into 1) how we deploy capital (our investment process), 2) our engagements with, and voting at, investee companies, and 3) our policy outreach to press for a 1.5°C-aligned market infrastructure.

Critical to our approach is our focus on delivering real-world reductions in emissions, rather than narrowly focusing on decarbonising individual portfolios.

In 2022, we focused our energy on four aspects of the plan:

1. Establishing policies and procedures for implementing our Action Plan that cover all affected departments, including asset management, risk, client outreach, operations and marketing.
2. Working to implement key elements of the plan. Within asset management this included: climate risk analysis for our most carbon-intensive holdings; company engagements promoting net-zero alignment; implementing our climate voting policy with key escalations where relevant; and policy outreach to promote a supportive market environment. **(See Principles 4,7, 9-12)**
3. Client reporting: continuing to enhance our reporting on climate-related work to clients through quarterly reports and via our website and social media. **(See Principle 6)**
4. Annual report: In September 2022, the firm submitted its first NZAM report following Task Force on Climate-Related Financial Disclosures (TCFD) guidelines through the CDP Platform.

While we made good progress in most areas, more time was needed in others.

We are working on an updated timeline for key deliverables, which is due to be published by the end of 2023. For full details of our Net Zero Action Plan, please visit our website.

OUR STRATEGY: TRANSLATING OUR BELIEFS INTO ACTION

We put our beliefs into practice through **three pillars**.

A GLOBAL THEMATIC INVESTMENT PROCESS FOCUSED ON LONG-TERM VALUE DRIVERS

For equities, we implement a thematic investment process focusing on companies that support significant societal trends such as low carbon transition, digitalisation, automation, ageing and evolving consumption. For fixed income, we favour activities that generate positive externalities – such as renewable energy infrastructure, housing associations, education, public transport and the not-for-profit sector. Across all assets, we undertake rigorous bottom-up analysis to identify leaders that offer attractive and sustainable return prospects as a result of the value they deliver. We examine ESG characteristics as core elements of the investment thesis via our Sustainability Impact Matrix (SIM). These are incorporated into valuation analysis. We undertake stress tests for climate risks, as well as regular security reviews when concerns arise. Our investment process is discussed further under **Principle 7**.

1 SUSTAINABLE VALUE DRIVERS

- Align with long-term societal trends
- Rigorous bottom-up ESG analysis
- Ongoing monitoring

ACTIVE OWNERSHIP

An integral part of our investment process is fulfilling the ownership responsibilities associated with investments held on behalf of our clients. We have published an Ownership Discipline which guides our activities as an active owner. Once we have bought an issuer's security on behalf of our clients, we monitor the business' strategic outlook and ESG performance. We seek regular dialogue with board members and management to monitor progress, and reach out for additional conversations where concerns arise. In the case of shares, we vote thoughtfully, based on our Corporate Governance and Voting Guidelines. In certain circumstances we escalate our engagement, using tools available to us such as building investor coalitions, filing shareholder resolutions, calling for votes against directors or auditors, or making public statements. We provide more detail under **Principles 9, 11 and 12**.

2 ACTIVE OWNERSHIP

- Impactful engagements
- Thoughtful voting
- Robust escalation

THOUGHT LEADERSHIP AND POLICY OUTREACH

Where we find market practices or policies that encourage harmful or unsustainable corporate behaviour, and we believe we can contribute to positive change, we will speak out. We engage with other investors, non-governmental organisations, policymakers, regulators and market influencers, such as auditors or standard setters, to deliver a market environment in which sustainable behaviours are properly rewarded, and harmful activities penalised. Further details can be found under **Principle 4.**

3 THOUGHT LEADERSHIP AND POLICY OUTREACH

- Speaking out
- Collaborating with industry partners
- Helping shape the policy landscape to promote sustainable returns

We believe these three pillars are mutually reinforcing and are essential to delivering enduring value for our clients. It is worth stressing that we do not outsource our stewardship responsibilities to third parties, as our stewardship work is a core part of our investment process.

We also offer products that apply additional ethical or 'values-based' exclusions and analysis for interested clients, as well as more tailored ESG-tilted strategies, such as our Climate Active and Tomorrow's World strategies, to cater for client demand (see **Principle 6** for further detail).

CASE STUDY: BIODIVERSITY RISK

The critical issue of biodiversity loss is, belatedly, becoming better recognised by governments. Ecosystems are deteriorating rapidly, putting at risk future economic growth, food security and quality of life. The COP15 Kunming-Montreal Global Biodiversity Framework of December 2022 saw 188 governments agree to halt and reverse biodiversity loss. This will be done through ambitious commitments, which include an eye-catching goal of effective conservation and management of at least 30% of the world's land, coastal areas and oceans, as compared to the current 17% of land and 8% of marine areas under protection.

When it comes to investors, the signatories agreed to requiring transnational companies and financial institutions to "monitor, assess, and transparently disclose risks and impacts on biodiversity through their operations, portfolios, supply and value chains".

Building on the work we started in 2021 through our Natural Capital Working Group, we have continued to explore how we can better measure the impacts of company activities on biodiversity through our SIM. The core challenge remains a lack of reliable and comparable data regarding company impacts on biodiversity, which makes it hard to track investee performance as a basis for undertaking meaningful engagement. We expect this situation to improve with the ongoing work of the Task Force for Nature-based Financial Disclosures.

CASE STUDY: OUR STATEMENT DENOUNCING RUSSIA'S WAR AGAINST UKRAINE

As the unprovoked aggression of Russia against Ukraine unfolded, we published a statement in April 2022. We emphasised our concerns about the invasion and expressed support for companies that chose to terminate or suspend operations in Russia.

In this statement we highlighted:

- Our sympathy with the unfolding crisis in Ukraine and its people;
- How we were assessing our portfolio risks; and
- How our existing stewardship framework will lead us to monitor and engage, where relevant, on related human rights issues.

STATEMENT ON CORPORATE RESPONSE TO RUSSIAN WAR AGAINST UKRAINE

SARASIN & PARTNERS

If you are a private investor, you should not act or rely on this document but should contact your professional advisor

OUR SUPPORT FOR COMPANY ACTION TO PROTECT HUMAN RIGHTS

The tragedy unfolding in Ukraine touches all of us in profound ways. While confronting Russian state-sponsored aggression is first and foremost the job of governments, companies are also rightly responding: halting commercial relations, pulling out staff when possible and stepping back from, in some cases, billion-dollar investments in Russia.

No doubt sanctions are a driver here, but companies are going further than demanded by regulators. They are distancing themselves from a regime that is demonstrably failing to uphold basic human rights[1] .

We at Sarasin & Partners support such moves. To ignore the human rights violations in Ukraine would run contrary to our belief that one of the fundamental purposes of responsible investment is to allocate and steward capital in a way that benefits society and minimises harm.

We recognise the situation is complex and rapidly evolving. It is not always a simple decision to exit operations; in many cases there will be human costs for civilians in Russia and elsewhere (e.g. where Russia is vital in global food supply chains).

We support company efforts to respond dynamically, keeping the above principles in mind.

SARASIN & PARTNERS' ACTIONS

Our own risk assessment is ongoing, but as of 24 March 2022, we have no direct holdings of Russia-listed securities, and have identified only three companies whose securities are held in client portfolios that have exposure to Russia of between 5% and 10% of revenue and less than 15 corporates with sales exposures of between 3% and 5%[2].

Where companies have exposure, we are monitoring them to understand the actions they are taking, and how they have considered the human rights implications of these measures.

Beyond the immediate and over-riding focus on stopping any activity that facilitates human rights abuses in Ukraine, we are also considering the following issues:

- Worker treatment: Where action taken involves layoffs, how the company has ensured fair treatment, e.g. adequate pay-outs or relocation policies
- Supplier treatment: Whether compensation has been provided where appropriate, and checks to ensure this is not indirectly supporting continued Russian aggression
- Broader public impacts: Consideration of impacts for food access and safety, public health and poverty. This could be within the region and beyond
- Other potential impacts of departure: Consideration of how abandoned assets may be used to support the current regime, or where departure otherwise strengthens abusive political forces
- Disclosure: Transparency on actions taken and the rationale for action will send a clear message about entities' support for human rights and unwillingness to turn a blind eye where abuses occur.

[1] Please see full list of companies' announced withdrawals from Russia, updated daily here

[2] For an up to date list, please contact Client Affairs.

CASE STUDY: SARASIN WELCOMES MARKET REGULATION AIMING TO PREVENT GREENWASHING

Over the last year UK investors have been presented with proposals for major regulatory change to ensure sustainability claims can be trusted. Cutting through the false 'greenwashing' claims, the Financial Conduct Authority's proposals for new Sustainable Disclosure Requirements (SDR) identify three mechanisms by which an investor may plausibly contribute to positive outcomes for the environment and/or society. These are:

1. Active investor stewardship and engagement,
2. Influencing asset prices and the cost of capital (e.g. by screening out unsustainable companies), or
3. Allocating capital to underserved markets with the explicit aim of achieving a positive, measurable sustainability impact.

As a strong advocate for stewardship over many years, Sarasin & Partners welcomes the proposed regulations and the focus on engagement and voting as key mechanisms to achieve positive sustainability outcomes. As we will demonstrate in this report, we believe investors can play a catalytic role in promoting sustainability by measuring harmful externalities better, in addition to engaging with company boards, executives and other stakeholders to reduce them.

CASE STUDY: SARASIN PRIORITISES WORK ON DIVERSITY & INCLUSION (D&I)

The Parker Review, commissioned by the UK government in 2016 and led by Sir John Parker, has been instrumental in increasing the ethnic diversity of UK boards. The initial report published in 2017, found that only 1.5% of FTSE 100 board directors were both British and from minority ethnic backgrounds, despite ethnic minorities making up 14% of the UK population.

The Review made a number of recommendations, including targets for each FTSE 100 company board to have at least one director from an ethnic minority group by 2021. FTSE 250 companies' boards are expected to reach this target by 2024.

Since the initial report there has been substantial progress, aided by greater diversity awareness, gender initiatives, investor pressure and increased regulatory focus.

The 2022 Parker report found that, as at December 2021, about 90% of FTSE 100 companies, and 55% of the FTSE 250 companies, satisfied the recommendation of at least one minority ethnic director. There were 155 directors from minority ethnic groups holding 164 FTSE 100 director positions, representing **16%** of all director positions. British minority ethnic directors accounted for **6%** of FTSE 100 directors. Women comprised about 49% of the minority ethnic directors.

We believe that by improving ethnic diversity in boardrooms, companies will strengthen corporate governance, financial performance, reputation and provide equal opportunities for minority ethnic employees and leaders. We support the goals of the Parker Review through bilateral engagements with companies, collective action and via our voting.

In 2022, we updated our voting policy to vote against the nomination committee chair if there was no ethnic minority representation on the board. This voting guideline applies to UK companies (FTSE All Share & AIM) and US companies (Russell 3000). In 2023, we will expand this to cover Canada (S&P/TSX Composite).

We have led the race equity workstream of the 30% Club UK Investor Group since mid-2022 and drafted the 30% Club UK investor statement on race equity published in March 2022. Under our leadership, the investor collaboration in August 2022 launched collective engagement with 21 FTSE 250 companies to press for faster progress on ethnic diversity. You can find more on this in **Principle 10.**

Diversity, equity and inclusion trend is also core to our corporate culture. Please see more on the diversity of our teams and the work of our D&I Committee under **Principle 2.**

PRIORITISATION

Inevitably we cannot do everything, so we prioritise our work through the identification of key stewardship initiatives. Each initiative seeks to address what we view to be materially harmful ESG factors associated with our clients' holdings. We would expect each initiative to last for at least one year, and often several. Initiatives provide the umbrella for several goals that we would run as individual projects, but ultimately support the broader ambition of the initiative. In most cases we would see both company and policy engagement linked to a single initiative, allowing us to work on different dimensions to promote a more sustainable outcome.

We determine our stewardship priorities on an ongoing basis so that we can respond to changing societal and market trends promptly and flexibly. This does not mean there are frequent changes, but rather that we will always be alert to new issues as they arise and react where required.

Our list of 2022 stewardship initiatives is below:

1 PARIS ALIGNMENT

Promoting alignment with a 1.5˚C-pathway agreed under the Paris Climate Agreement. We also undertake policy advocacy work to shift the broader market.

2 SOCIAL VALUE CHAIN

Ensuring that the companies in which we invest act responsibly with respect to the welfare of their stakeholders, including their employees, suppliers, customers and the communities in which they operate. We currently focus on Diversity, Equity & Inclusion (DEI), human and labour rights.

3 GOOD GOVERNANCE

Promoting robust oversight, controls and disclosure, ranging from well-qualified, diverse and majority independent boards, supported by fully independent committees (e.g. audit); moderate remuneration packages aligned with long-term value creation; robust internal control systems, and meaningful shareholder rights.

4 ROBUST AND INDEPENDENT AUDIT

Promoting robust and independent audit as a key line of defence against misleading accounting. We expect strict policies to prevent conflicts of interest, regular audit firm rotation and meaningful disclosures by auditors to investors.

5 RESPONSIBLE ACCOUNTING

Promoting accounting standards and practices that are consistent with long-term capital protection and enhancement. We expect prudence to prevent overstatement and contain excessively risky behaviour. We look for transparency on dividend sustainability and a strong capital maintenance commitment.

6 CIRCULAR ECONOMY

Our goal is the acceleration of a sustainable circular economy with a particular focus on plastics (overall reduction, virgin plastic reduction, recycling, reuse, etc.).

7 RESPONSIBLE TECH

As digital technology has become part of our lives, we need to ensure technology companies act in society's long-term interests. Issues include anti-competitive behaviours, tax avoidance, biases and disinformation, excessive influence on children, as well as privacy and security of the data.

We discuss how we prioritise our stewardship activities and how we engage on these priorities under **Principles 4, 7 and 9.**

EFFECTIVENESS OF OUR APPROACH

The effectiveness of our approach can be best gauged through the impacts that we have on company behaviour and market policies, standards and practices. We discuss those in various parts of this report.

Under **Principle 9** we provide statistics for the overall milestones and impacts achieved through our company engagement work, alongside specific examples for equities, fixed income and alternatives holdings. Under **Principle 10** we provide examples of collaborative engagements. Under **Principle 11** we provide examples of escalations for specific engagements, in order to deliver the intended impact. Under **Principle 4** we describe the impact of our policy outreach.

Under **Principle 5** we describe the internal processes for reviewing our stewardship policies, procedures and external reporting. We also outline tools we are developing to assess and report on the effectiveness of our stewardship work, demonstrating how our process has delivered. We also show third-party evaluations of our stewardship work, which further evidences our effectiveness.

Under **Principle 6** we show how we engage with our clients to make sure our approach is consistent with their investment strategies.

The following key documents are available on our website:

PRINCIPLE 2

GOVERNANCE, RESOURCES AND INCENTIVES

Having a robust governance structure, encompassing clearly defined roles and responsibilities, effective challenge processes, aligned incentive structures, rigorous monitoring and clear lines of accountability, is key to achieving effective stewardship.

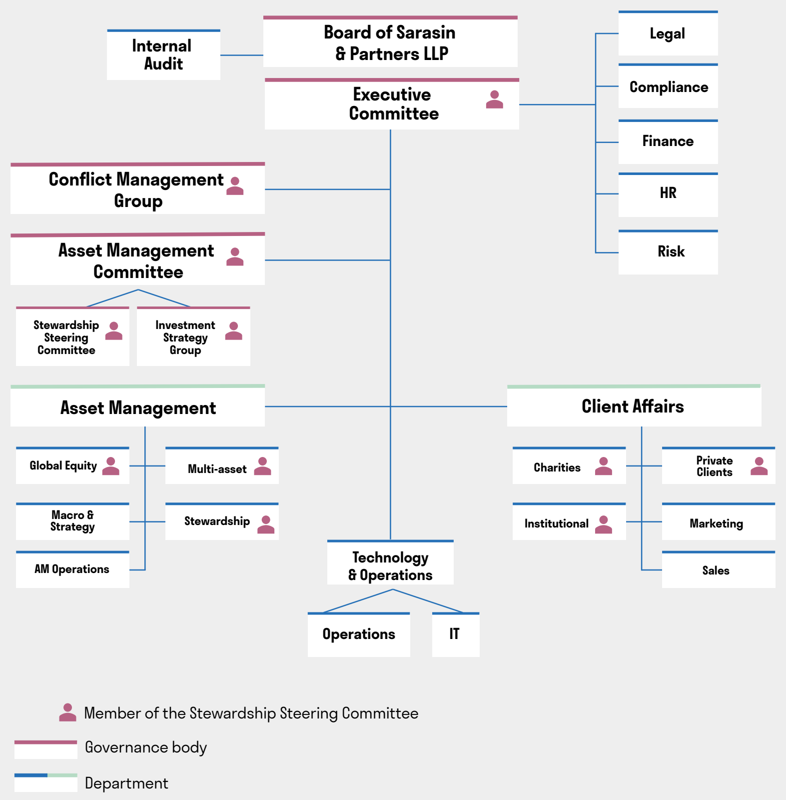
Below we set out our governance system for impactful stewardship. We believe this system has delivered positive outcomes, as reflected in our long-term financial performance, third-party evaluations of our stewardship work (set out in **Principle 5**) and improving environmental, social and governance (ESG) standards of our investee companies (**Principles 9 and 10**).

GOVERNANCE

The Board of Sarasin & Partners LLP has overall responsibility for the management of the business. It sets the firm's strategy but delegates implementation and day-to-day management duties to the Executive Committee. The Board is comprised of 25 partners, two independent non-executive directors and two representatives from our parent company, Bank J. Safra Sarasin. Our stewardship work is a routine item on our Board agenda.

The Executive Committee is chaired by the Managing Partner and has representatives from key functional groups, including the Head of Asset Management and Chief Operating Officer. This Committee is responsible for all decisions on matters that arise on a day-to-day basis, as well as implementing the agreed budget and strategy of the Board. Key strategic, operational and reporting decisions relating to stewardship work are approved by the Executive Committee. These are normally passed to the Executive Committee by the Asset Management Committee (see the Sarasin & Partners organisational chart).

SARASIN & PARTNERS ORGANISATIONAL CHART



The Investment Strategy Group (ISG) is chaired by our Head of Investment Strategy and includes the Head of Stewardship. The ISG explores the long-term macroeconomic outlook as a basis for considering implications for asset allocation and our investment approach. Sustainability is often on the agenda.

The Asset Management Committee (AMC) is chaired by the Chief Investment Officer (Multi-Asset) and has representatives from Asset Management and other departments, including the Chief Operating Officer, Head of Asset Management and Chief Investment Officer (Global Equity). The AMC reviews strategic or operational proposals from the Stewardship Steering Committee. It either approves these directly where it has the authority to do so, or passes the matter to the Executive Committee for approval (see the Asset Management organisational chart).

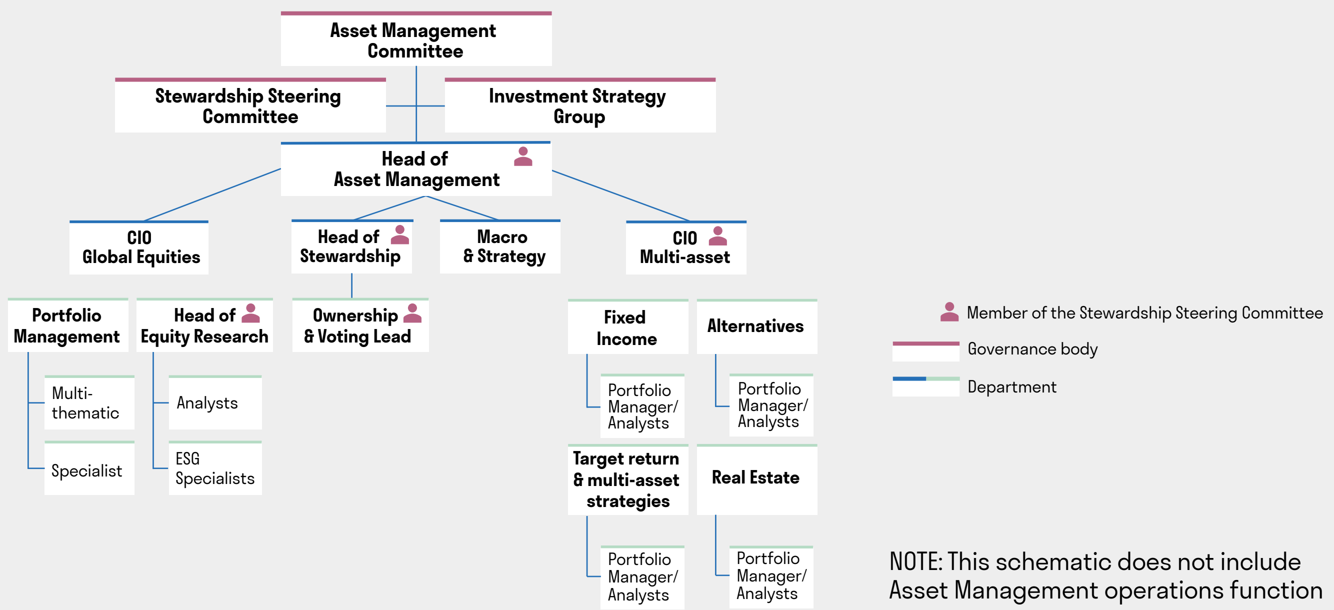
The Stewardship Steering Committee (SSC) was established in 2021 to ensure effective oversight, as well as cross-business input and support for the firm's stewardship work.

- **Membership:** The SSC includes senior representatives from across the business, not limited to our Managing Partner, Head of Asset Management and Chief Operating Officer. The SSC is chaired by the Head of Stewardship.
- **Work:** Meetings take place at least quarterly. The agenda includes setting engagement and policy priorities, monitoring stewardship activities across asset classes, reviewing external stewardship reporting and managing stewardship commitments in light of evolving client expectations and regulations.
- **Controls :** Stewardship-related policies and procedures are reviewed by the SSC and receive formal approval from the AMC when this is a regulatory requirement.
- **Reporting:** The SSC reports into the AMC. Decisions and subsequent actions are notified to the relevant individuals/governing bodies.

Our **Head of Stewardship** has responsibility for shaping stewardship activities and ensuring they are properly implemented, and from 2021 has had additional oversight over the Stewardship Steering Committee. The Head of Stewardship works closely with the Head of Global Equity, Head of Multi-Asset and Head of Global Equity Research, who share responsibility for the delivery of our stewardship and ESG integration work. The Head of Stewardship leads our public policy positioning, with stewardship experts driving the identification and prioritisation of stewardship issues.

Alongside our internal governance structures, we set up advisory panels from time to time, made up of external experts. In 2017 we established our **Climate Active Advisory Panel** to help us consider all matters relating to investing against a backdrop of climate change and the need for the world to decarbonise. The panel meets formally four times a year, supplemented by informal communications between meetings, to discuss our investment analysis, corporate engagement and policy outreach to drive more robust action in tackling climate change. The members of the panel can be viewed on our website.

ASSET MANAGEMENT ORGANISATIONAL CHART



NOTE: This schematic does not include Asset Management operations function

2022 RESOURCE AND SYSTEM ENHANCEMENTS

STEWARDSHIP

The most impactful enhancement we made in 2022 was the finalisation and implementation of our Engagement Tracking Platform (The Tracker). The Tracker enables centralised record keeping of our engagements to achieve better communication within the asset management team, supporting more effective discussions with issuers, tighter controls over escalation steps and closer links to the investment analysis. During the year we had training for use of The Tracker. The team also saw an ownership lead join at the start of 2022. We broadened the scope of our post-proxy letters to cover 54 companies, up from 34 in 2021, which has promoted a number of subsequent engagements.

GLOBAL EQUITY

Our investment process has continued to evolve, with further enhancements to our proprietary quantitative models that assist in identifying factor exposure at a stock, theme and portfolio level. We also worked to enhance our Sustainability Impact Matrix (SIM) to integrate new ESG data points, ensuring it is aligned with the EU Sustainable Finance Disclosure Regulation, as well as the forthcoming UK Sustainable Disclosure Requirements.

FIXED INCOME

We continued to refine our ESG integration process and developed a top-down climate risk assessment framework for compliance with the Net Zero Asset Managers (NZAM) initiative.

ALTERNATIVES

We invest in alternative assets through listed investment trusts. Using responses to our ESG questionnaires, we initiated an engagement campaign in 2022 with the chairs of the boards at 18 investment trusts. This focused on board governance, as well as the most relevant environmental and social issues.

RESOURCES

The Asset Management team comprises 53 employees, 28% of whom were female as of 31 December 2022. This includes four dedicated stewardship and ESG specialists. Further details of our stewardship specialists can be found on our website.

Our ESG and stewardship experts have varied backgrounds and experience from within asset management, non-governmental organisations, policy research institutions and business. The range of backgrounds and expertise helps ensure that diversity of thought and challenge are embedded in our stewardship thinking.

Please see the box below outlining our firm's broader efforts on Diversity and Inclusion.

It is worth stressing that the full resource focused on ESG and stewardship is not limited to our ESG and stewardship experts. As discussed in **Principle 7,** equity, fixed income and alternatives analysts undertake ESG analysis with support from stewardship experts. Company engagement and voting is likewise a joint endeavour by analysts and stewardship experts. Please see more on the process in the discussion of our Ownership Discipline in **Principle 9.**

As part of ensuring our team has sufficient tools to fulfil our stewardship responsibilities, we allocate a portion of our research budget to ESG research. In 2022, approximately 10% of our overall research budget was spent on dedicated ESG research providers such as ISS Governance, MSCI, CDP and PRI, amongst others.

In addition, we expect all our other research providers to deliver ESG insights. This is a criterion we assess in our ongoing reviews of research quality.

Among other stewardship tools, we use Institutional Shareholder Services (ISS) to help implement our voting policy. We conduct regular service reviews, as discussed in more detail in **Principle 8.**

SUPPORT AND INCENTIVES FOR STEWARDSHIP

As stewardship is an integral part of our investment philosophy, it is not the responsibility of one person or team. All members of the investment team are required to assess ESG considerations for their coverage and undertake engagements.

The investment team's incentives reflect five-year performance versus tailored benchmarks, the achievement of priority objectives agreed with a line manager, as well as alignment with Sarasin and Partners' core values (see **Principle 1**). Where individuals are found lacking in either ESG and engagement-related priorities or their adherence to the stewardship core value, this will impact their awards and prospects for advancement in the firm.

In the end, we are results-oriented, rather than process-oriented, so we are interested in where we have added value to risk-adjusted performance for our clients, changed company behaviour for the better and shifted the policy debate.

Stewardship specialists do regular training for investment and client-facing staff. Analysts are expected to keep abreast of ESG risks and opportunities for their coverage by accessing our research providers and attending relevant conferences and webinars. The Head of Equity Research oversees and reviews research providers to maintain the quality of these inputs. The ESG and stewardship experts also routinely circulate educational materials and opportunities for improving awareness of ESG themes.

Aside from on-the-job learning, the investment team is encouraged to take the CFA's course on ESG. One person completed the course in 2022, with a further four enrolled into a CFA Certificate in Climate and Investing. In total, four of our analysts have now taken a formal ESG or Climate and Investing course.

DIVERSITY AND INCLUSION

Diversity and Inclusion (D&I) is a key focus of our organisation, and is reflected within our core values, see **Principle 1**.

We actively promote diversity and equal opportunities amongst staff and in our governance structures. We believe it is important to measure, monitor and manage our efforts in this area, so we can maintain a strong and positive culture.

Following the establishment of a D&I Committee in 2020, comprised of colleagues from across the organisation, we adopted a mission statement and operating framework in January 2021 (see the table below).

In 2022 we focused on delivery against our goals, including agreement on internal diversity targets, continued focus on training, education and communication and delivering a comprehensive employee survey to track progress. We have also launched an Ethnic Minority Forum.

As of December 2022, 60% of our stewardship and ESG experts are female and 25% from an ethnic minority background under the definition of the UK government.

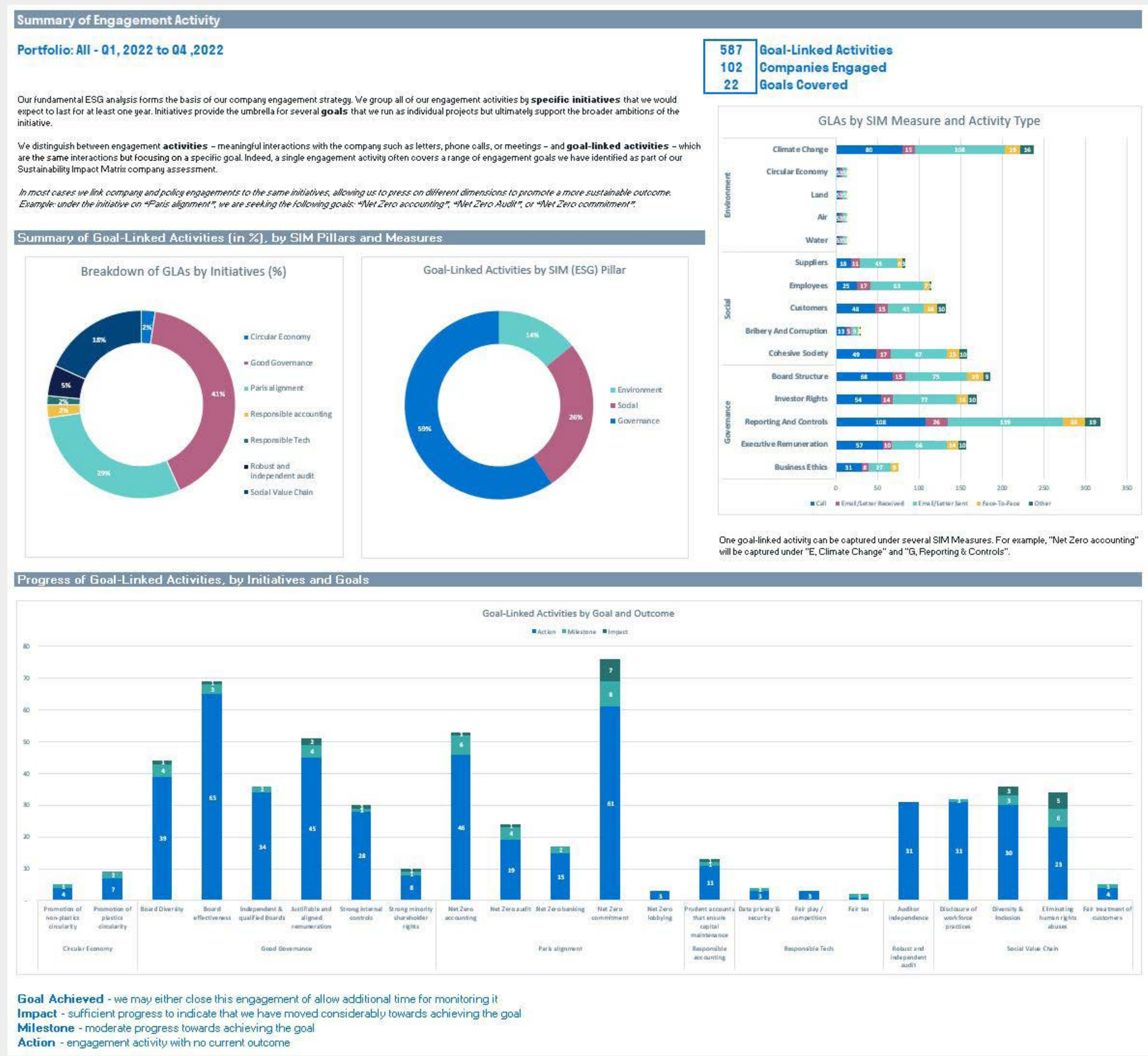
We report on our D&I performance in our annual Corporate Social Responsibility report.

D&I COMMITTEE

Mission statement	Sarasin & Partners commits to promote a culture where all stakeholders are accepted as individuals and treated fairly and respectfully. We will aim to improve diversity both within the firm and across the asset management industry.			
Two strands	**INCLUSION** Sarasin & Partners commits to promote a culture where all stakeholders are accepted as individuals and treated fairly and respectfully.		**DIVERSITY** We will aim to improve diversity both within the firm and across the asset management industry.	
Sub-committees	**BELONGING**	**EQUALITY**	**REPRESENTATION**	**OUTREACH**
Four goals	Make progress towards an environment where all employees feel their identity and background is accepted and valued at S&P.	Make progress towards an environment where all employees feel they are treated fairly and respectfully and are empowered to achieve their potential at S&P.	Achieve a measured, material improvement in diversity within the firm.	Make significant contributions to improving diversity within our industry, becoming a leader rather than a laggard among peers.

STEWARDSHIP REPORTING

Ensuring greater transparency of our stewardship work and its impacts has been a long-standing priority. In 2022, in addition to the Engagement Tracker described previously, we developed an Engagement Reporting Tool (The Tool). Importantly, this permits us to report to clients aggregate engagement statistics for the firm (as shown below), or specific strategies and funds. Alongside company-specific case studies, this provides a more comprehensive view of our engagement work. The Tool translates the relevant engagement information into statistical charts and graphs for reporting purposes. The Tool was developed internally by the Management Information team.



Source: Sarasin & Partners, 2022

Statistics produced using the Tool are included throughout this report, particularly in **Principles 5, 9 and 10.**

Graphics from The Tool are now incorporated into our client quarterly reports, which include an overview of their portfolio ESG scores, the breakdown for individual holdings, as well as our engagement and voting activities, highlighting key impacts achieved. We also provide regular updates on our policy outreach and how this is catalysing policy change.

All these reports are produced internally by the stewardship team, in collaboration with the client affairs and marketing teams. Our client portal, discussed in **Principle 6**, also integrates ESG and stewardship information, allowing clients to access the latest relevant profiles of their holdings.

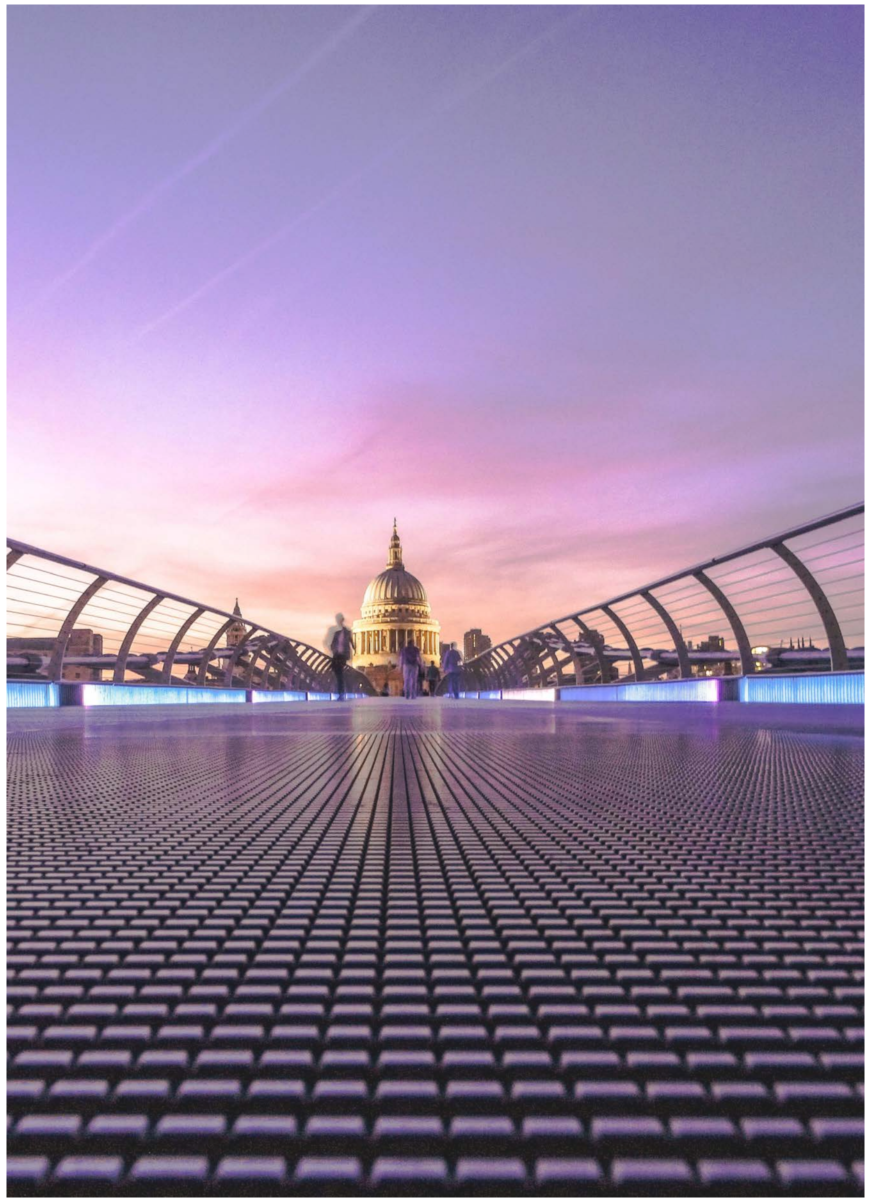
Beyond client reporting, we publish significant updates from our stewardship work on our website and through social media. Examples include where we pre-declare a vote for a company's annual general meeting (AGM), or publish a position paper on a topic of concern which we wish to generate broader public support for (see **Principles 4 and 12** for more detail on our market-wide outreach).

Each quarter we also publish our voting records, including rationale for votes against management, on our website.

PRINCIPLE 3

CONFLICTS OF INTEREST

Our procedure for managing conflicts is based on our public Summary Conflicts Policy, which is reviewed annually.



Sarasin & Partners seeks to act in the interests of all its clients when deploying capital, voting on behalf of clients and engaging with companies and policymakers.

Conflicts of interest do arise from time to time, such as when voting or engaging on matters is affecting a client or member of staff. We aim to identify, record and manage any conflicts objectively and fairly.

Our procedure for managing conflicts is based on our public Summary Conflicts Policy, which is reviewed annually (the latest review was in February 2023).

Conflict-mitigating measures include:

- A Conflicts Management Group (CMG) with responsibility to assess the implied and actual conflicts that arise in the running of the business and ensures a fair, non-discriminatory and consistent conflict management process;
- Periodic employee conflict attestation and training;
- Formalised Corporate Governance and Voting Guidelines that ensure consistency in our approach to voting across investee companies on behalf of all clients who have delegated voting to Sarasin & partners;
- 'Ethical walls', i.e. internal barriers in place between our client and investment teams; and
- A dedicated Stewardship Team to ensure consistent application of our stewardship work, thus acting as a control on any conflict of interest which may arise within client or investment teams.

Specifically, conflicts of interest that arise as part of the investment and stewardship activities **are managed as follows:**

CONFLICT IDENTIFICATION

We are alert to possible conflicts at all stages of our investment process, from our stock selection, voting analysis, prior to and during engagements, as well as in any policy outreach we become involved with. Awareness is supported by annual mandatory trainings for staff on our Conflicts of Interest Policy.

INITIAL ASSESSMENT AND ESCALATION

Once a potential conflict is identified, the exposed person is required to report the conflict to the CMG immediately, with an initial assessment of the conflict and any proposed mitigating measures.

FORMAL ASSESSMENT AND LOGGING

The CMG, which includes representatives from senior management across the business, independently reviews the potential conflict and the adequacy of proposed mitigations. In the event that the proposed actions are deemed insufficient, the CMG will recommend further steps to ensure the conflict is adequately managed. The conflict and mitigations, once confirmed, are logged in the conflict register, and the CMG periodically reviews this. Minutes of the CMG meetings are shared with the Executive Committee.

POTENTIAL CONFLICTS THAT ARISE IN OUR INVESTMENT AND STEWARDSHIP ACTIVITIES

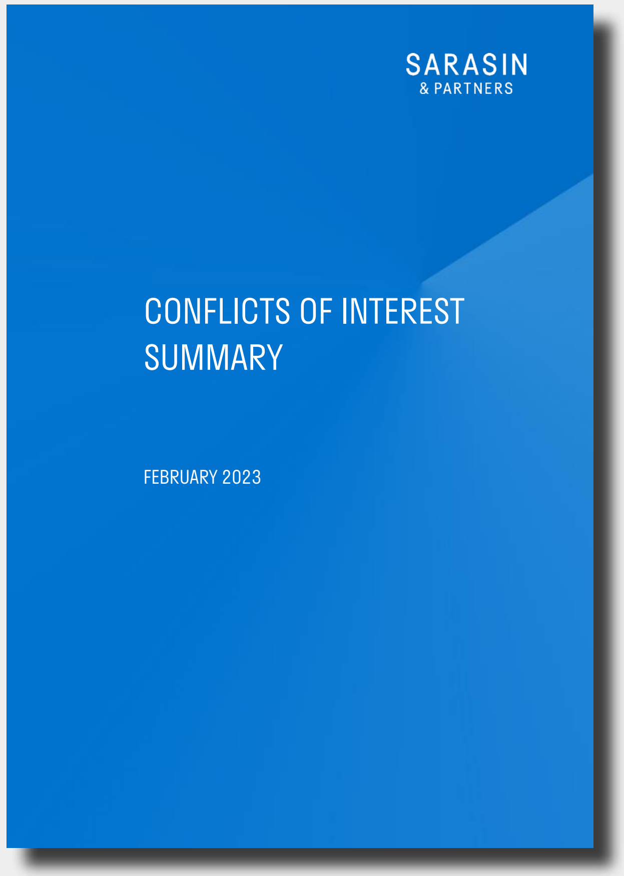
In the following table, we identify some of the most common forms of conflicts that we come across, and how we manage these.

CONFLICT	EXAMPLE	HOW WE MANAGE THE CONFLICT
Individuals on the board of a company that we engage with, or vote on, may have a commercial relationship with Sarasin & Partners. As we apply judgment in our voting and engagement activities (which permits us to override our Corporate Governance and Voting Guidelines to reflect particular circumstances), there is a risk that conflicts of interest could influence these activities.	Where a client (e.g. a trustee for a charity) serves on the board of a company we hold, and we intend to vote against his/her directorship because the company's governance structure falls below our expectation (e.g. inadequate board independence), we may come under pressure to change this decision.	The primary mitigation tool is the awareness of such conflicts, fostered by Compliance and education regarding the rules of conduct. Where this conflict arises, we will escalate the conflict to the CMG.
In a merger and acquisition (M&A) situation of companies held in our portfolios, we may hold the shares of the acquirer and the target in different funds.	In this situation, if we perceive the potential acquisition to be detrimental to the shareholders of either the acquirer or the target, there is a risk that our engagement or voting activities could be influenced by the interests of one fund over another (or clients in one fund over another).	In M&A situations we will always cast our votes in the best interest of respective client mandates. Where this conflict arises, we will escalate the conflict to the CMG.
Where our clients are unit holders in our funds or those of our parent, Bank J. Safra Sarasin (BJSS), we are an interested party in all voting situations.	Where our client has delegated voting rights to us as their discretionary manager, we will be able to vote on various routine governance and administrative matters concerning Sarasin funds and the funds of our parent, BJSS. The clearest instance of conflicts arising is in situations where voting would happen on matters concerning fund fees.	This embedded conflict will already have been logged by the CMG. We manage this conflict by restricting our vote and seeking instructions from our clients (on all our funds where we have voting responsibility) on matters which have a financial impact on the client, e.g. increasing fund fees.
We manage both fixed income and equity funds. In certain circumstances the interests of equity holders will conflict with those of the bond holders.	A common example of conflicts arising between equity and credit holders in the same company is where an executive team wishes to embark on large-scale share buybacks or dividend payments, which would weaken the company's balance sheet and resilience to external shocks. Where equity holders may be in favour of the cash distribution, credit risk may rise, resulting in losses for debt holders. Conversely, if a company issues a bond which includes bondholder-friendly covenants such as dividend lock-ups, change of control puts or coupon step-ups, this would be to the detriment of equity holders.	As ever, our policy is to cast our votes in the best interest of our clients. Where client mandates include both equity and fixed income holdings we will determine what is in the best interests of the client, and vote accordingly. Where this conflict arises, we will escalate the conflict to the CMG.
Our staff or clients may have personal relationships with the companies we are engaging with, or voting on. As we apply judgement in our voting and engagement activities (which permits us to override our Governance and Voting Guidelines to reflect particular circumstances), there is a risk that conflicts of interest could influence these activities.	A fund manager may have an outside relationship (e.g. shared trusteeship of a charity) with board directors or executives for a company we hold.	Where this conflict arises, we will escalate the conflict to the CMG. Mitigation tools in place may include having another team member leading the engagement, and/or voting, to guarantee independence of judgement.
Our clients and staff may seek to influence our policy work, which could compromise our independence in determining which initiatives to prioritise.	We may be asked to desist from policy outreach on audit or accounting matters due to objections from trustees of clients who work for audit firms.	Where any influence is exerted, we will escalate the conflict to the CMG.
Our engagement, voting or policy work may be in conflict with our parent group, Bank J. Safra Sarasin, if it seeks to influence our process.	We may be asked to alter our vote for a director who is close to our parent company, or desist from policy work that could impact our parent company.	Where this conflict arises, we will escalate the conflict to the CMG, to guarantee independence of judgment.

In the year under review, staff members have notified the CMG of 22 cases of potential conflict. In most cases, conflicts have arisen from staff members undertaking external interests outside of their roles at Sarasin & Partners. The CMG has assessed all cases and determined that none pose a material conflict. These have then been added to the conflicts register.

One conflict was reported to the CMG in 2022 relating to stewardship, and was satisfactorily resolved.

This document is located on our website.


SARASIN & PARTNERS

CONFLICTS OF INTEREST SUMMARY

FEBRUARY 2023

PRINCIPLE 4

PROMOTING WELL-FUNCTIONING MARKETS

Policy and market outreach is a core pillar of our stewardship approach. We believe it is vital to engage not just with companies, but also on broader policy failures or harmful market behaviour where this matters to our clients' interests.

Where we find market practices or policies that result in materially adverse impacts on the environment or particular stakeholder groups, and we believe we can contribute to positive change, we speak out. We do not seek to benefit from unsustainable activities that result in societal harm. We view this as short-termist and, ultimately, self-defeating.

Likewise, we encourage government policies or market practices that ensure corporate accountability for negative externalities.

Take climate change as an example. Through our investment process, we:

- Aim to ensure detailed climate risk and opportunity analysis to protect clients' assets from expected transition and physical impacts;
- Seek evidence of efforts to drive decarbonisation; and
- Aim to identify investments that are positively exposed to climate solutions.

But merely insulating client portfolios from the climate crisis does nothing to prevent the crisis itself and, given the scale of the threat, is unlikely to work over the longer term. Ultimately, to protect assets from the harmful impacts of climate change, we need system-wide solutions.

This is where our policy outreach comes in. We raise our gaze towards the broader market dysfunctionality and seek to intervene in support of accelerated action to combat climate change. We work with others to help ensure we have an impact.

As already noted, we gain insight from our policy outreach, which is supportive of our company engagement and investment analysis.

POLICY OUTREACH REQUIRES PRIORITISATION, TENACITY AND RESOURCING

We believe adverse impacts on society that emanate from corporate behaviour will ultimately harm our clients' interests. A core part of our job is doing what we can to prevent this.

Inevitably, we have to prioritise when we undertake policy work. We cannot act on everything, so we must identify those issues that are most damaging and urgent, and also where we can realistically catalyse change.

As policy outreach can take years to come to fruition, we also need to be tenacious and outcomes-focused. We need to be willing to escalate, even where this can be uncomfortable.

Finally, as with any engagement, we need to know when to stop: when our resources and attention would be better spent elsewhere. At times, we pause on specific priorities due to a lack of opportunities to input into public debate or due to other competing demands, but continue to monitor progress with a view to re-engaging as the opportunity arises.

All of this requires both expertise and judgement, as well as a range of skill sets, in addition to a rigorous analytical capability. As is the case with company engagement, we require persuasion and negotiation expertise. Above all, it is important to understand what drives system change, and be willing to act on this.

OUR PRIORITIES

In 2022 we have retained the four priorities from 2021, but added two new focus areas for market outreach: Responsible Tech and Circular Economy, as summarised below:

- Accounting reform to support long-term stewardship of capital;
- Reliable and transparent audits that support corporate accountability;
- Paris-aligned accounting and audit to support the achievement of a 1.5°C-world;
- Labour rights and human rights across the value chains to promote more productive, cohesive and sustainable economic growth;
- A responsible approach to technology to tackle harmful social consequences from, for instance, the unethical use of artificial intelligence, aggressive tax optimisation, misinformation or anti-competitive behaviour; and
- A circular economy to reduce negative externalities from excessive resource use and inadequate recycling, particularly relating to plastics.

We identified these priorities based on the following criteria:

- **Materiality:** we aim to work on issues that will have the greatest impact for our clients in terms of protecting and enhancing their capital, based on our view that harmful externalities imposed on society and/or the environment ultimately put financial performance at risk.
- **Potential for impact:** we seek to focus on those engagements where we can drive demonstrable change. This will tend to be in areas where we have particular expertise, insight and a clear vision for what needs to change.
- **Client preference:** we listen to clients on their areas of interest/concern through regular meetings, conferences and other communications.

We provide more detail on our current priorities and support for collective policy initiatives on the following pages.

> In our mind, adverse impacts on society that emanate from corporate behaviour will ultimately harm our clients' interests. A core part of our job is to do what we can to prevent this.

WORKING WITH OTHERS TO DRIVE SUSTAINABILITY

A SELECTION OF EXTERNAL INITIATIVES WE LEAD AND SUPPORT

E

ENVIRONMENTAL

- Institutional Investor Group on Climate Change (IIGCC)
- Paris-aligned accounting and audit (We chair this initiative in coordination with the IIGCC)
- Net Zero Banking Standard (We co-chair this with Hermes EOS, with support from IIGCC)
- Net Zero Asset Managers Initiative (NZAM)
- Climate Action 100+
- Say on Climate Initiative
- Ellen MacArthur Foundation Plastics Initiative
- Plastic Solutions Investor Alliance

S

SOCIAL

- 30% Club
- Find It, Fix It, Prevent It initiative – Modern Slavery Initiative
- Workforce Disclosure Initiative
- International Accord for Health and Safety in the Textile and Garment Industry
- Investor Statement of Solidarity to Address Systemic Racism and Call to Action

G

GOVERNANCE

- International Corporate Governance Network
- UK Corporate Reporting and Auditing Group
- Advisory Group for International Audit and Assurance Standards Board

CASE STUDY: RELIABLE ACCOUNTING TO SUPPORT LONG-TERM CAPITAL MAINTENANCE

Over the years, Sarasin & Partners has been at the forefront of efforts to call for proper enforcement of capital maintenance rules set out in UK and EU company law. The concern has been that this vital aspect of company law and investor protection, which underpins companies' going concern status, appears to lack explicit implementation and enforcement mechanisms in several markets. The result is not just elevated risks to investors, but also to customers, staff, suppliers and communities in which these businesses operate.

THE ISSUE

While companies are required to follow accounting standards (most markets apply International Financial Reporting Standards – IFRS), these are often not aligned with rules to prevent insolvency. In the UK, for instance, rules prohibiting distributions out of capital require that boards have a prudent estimate of capital in the first place. The trouble is that company IFRS accounts do not deliver a prudent view of capital as their purpose is to show a 'neutral' view of company health.

In essence, the accounting rules mandated for use in many markets do not equip company management or boards to fulfil vital capital protection responsibilities. They also fail to ensure visibility for investors as to whether the rules are being enforced.

We believe a lack of implementation or enforcement of capital maintenance goals, alongside low transparency regarding companies' dividend paying capacity, allow excessively risky behaviour to occur and persist. We consider these accounting failures as playing an instrumental role in permitting the build-up of risks in banks leading up to the financial crisis of 2007-08, as well as more recent insolvencies such as Carillion, Interserve and Thomas Cook.

THE GOAL

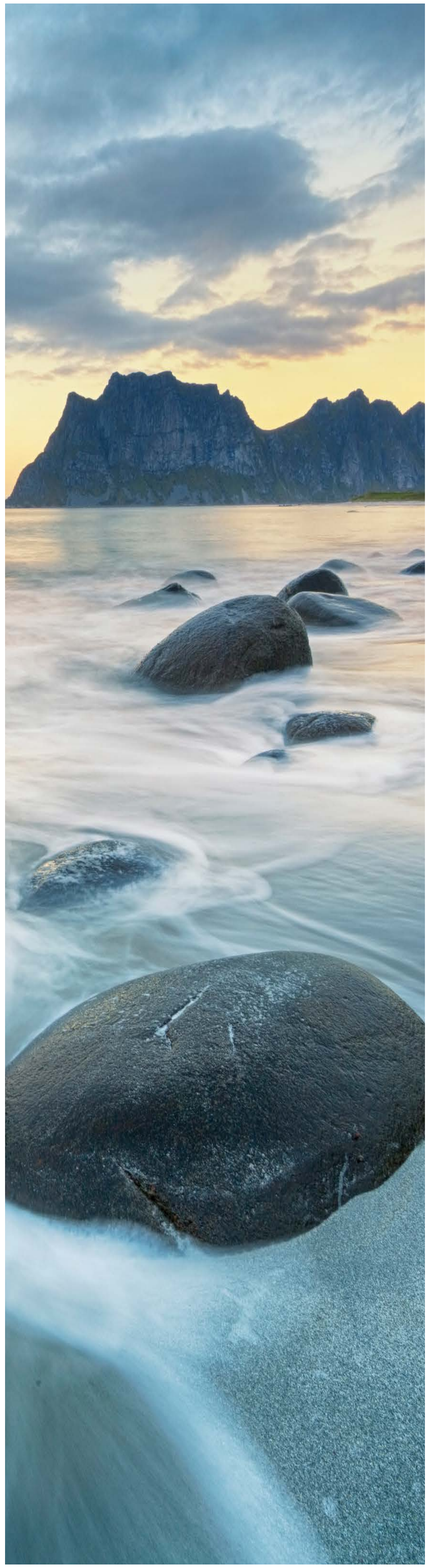
The goal of our work on capital maintenance is to build awareness of weaknesses in capital protection enforcement regimes in key markets as a basis for catalysing a policy response. The accounting system should prevent companies from hiding bad news that could put solvency at risk.

WHAT WE DID

We have led a coalition of primarily UK investors over several years, calling for more prudent accounting and greater focus on capital maintenance through public position papers, submissions to government consultations, private audiences with regulators, participation on government panels (e.g. presented evidence to the 2019 Business, Energy and Industrial Strategy Select Committee - BEIS - inquiry into the Future of Audit) and advisory boards, as well as media outreach (e.g. BBC Radio Four interviews, Financial Times opinion editorials). Where relevant, we have made requests for the disclosure of distributable reserves in our company engagements, particularly in the UK. Further detail on past actions can be found in our 2021 Stewardship Report on our website.

In 2022 our primary concern has been around the establishment of the UK Endorsement Board (UKEB). It was established following Brexit to vet IFRS for consistency with UK Company Law as a precursor for them being rolled out. We have identified the following key concerns:

- A failure to integrate capital maintenance requirements set out in the 2006 Companies Act into the criteria used to endorse new accounting standards;



- Linked to previous point, a flawed interpretation of the Companies Act 2006 'true and fair view' requirement for accounting standards. This is based on a legal opinion that was undertaken by a QC with links to the previous Legal Opinion that had been challenged by investors, including Sarasin & Partners. Emails leaked to The Times newspaper in February 2022 suggest that members of the UKEB sought to cover up these conflicts of interest; and
- Evidence of conflicts of interest and a failure to follow due process within the UKEB itself, as highlighted by The Times and the Financial Reporting Council (FRC) in its own review of the UKEB's performance in its Annual Report published in 2022.

In response to these concerns, we published a statement on our website in February, and raised our concerns directly with the FRC, other investors and Members of the House of Lords.

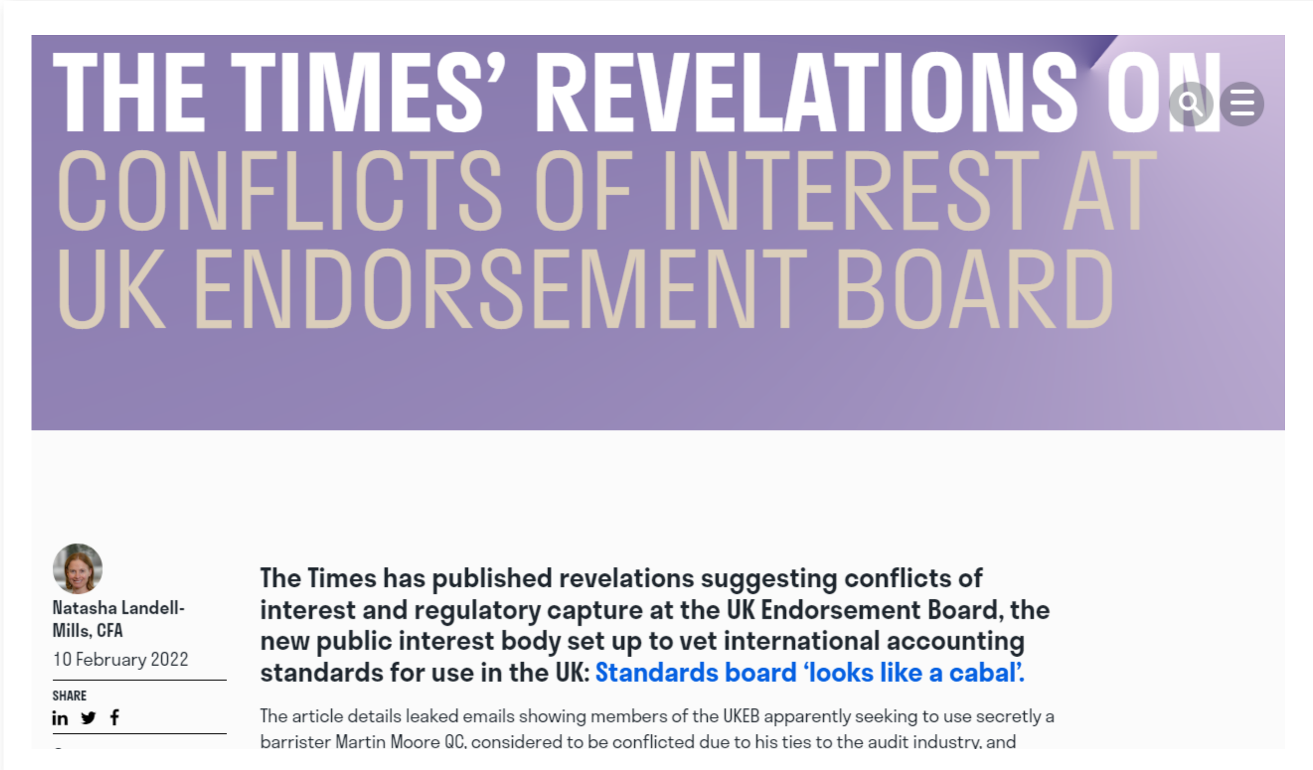
WHAT WE ACHIEVED

Our work has contributed to achieving a number of key impacts in recent years. These include changes to the International Accounting Standards Board (IASB) Conceptual Framework, parliamentary recommendations for reform, and government recommendations to move forward with reforms that would strengthen the UK's accounting disclosures to support the capital maintenance regime.

In 2022, the government's final set of proposals "Restoring trust in audit and corporate governance" accepted our long-standing argument that companies need to track and disclose distributable reserves to protect capital and long-term viability. Specifically, they have committed to:

- Task the new regulator, the Audit, Reporting and Governance Authority (ARGA), with issuing guidance on what should be treated as "realised" profits and losses for the purposes of determining distributable reserves;
- Legislate to require public-interest entities with at least 750 employees and an annual turnover of £750m to disclose their distributable reserves; and
- Require directors of such companies to make an explicit statement confirming the legality of proposed dividends and any dividends paid in-year.

Our more recent work on the UKEB is still in its early stages and we hope to see further progress in 2023.



THE TIMES' REVELATIONS ON CONFLICTS OF INTEREST AT UK ENDORSEMENT BOARD

Natasha Landell-Mills, CFA

10 February 2022

SHARE

The Times has published revelations suggesting conflicts of interest and regulatory capture at the UK Endorsement Board, the new public interest body set up to vet international accounting standards for use in the UK: Standards board 'looks like a cabal'.

The article details leaked emails showing members of the UKEB apparently seeking to use secretly a barrister Martin Moore QC, considered to be conflicted due to his ties to the audit industry, and

PROMOTING WELL-FUNCTIONING MARKETS | PRINCIPLE 04

CASE STUDY: AN AUDIT SYSTEM THAT SUPPORTS CORPORATE ACCOUNTABILITY

Over the years, Sarasin has led an investor effort in the UK calling for robustly independent audits. We have coordinated a range of collective investor statements and public outreach to raise awareness of weaknesses in the audit system, which emanate from auditors' lack of independence from management, creating harmful conflicts of interest.

THE ISSUE

Shareholders depend implicitly on auditors as a defence against management misrepresentation in their financial statements. Numerous recent audit failures, notably Wirecard in 2020, but also Carillion, Interserve, Tesco, and BT, point to the systemic nature of the problem and the need for regulatory action.

THE GOAL

To promote more independent, transparent and reliable auditing which is aligned with investor and public – not executive – interests. Auditors need to perceive investors as their clients if they are to act in shareholders' and creditors' interests.

WHAT WE DID

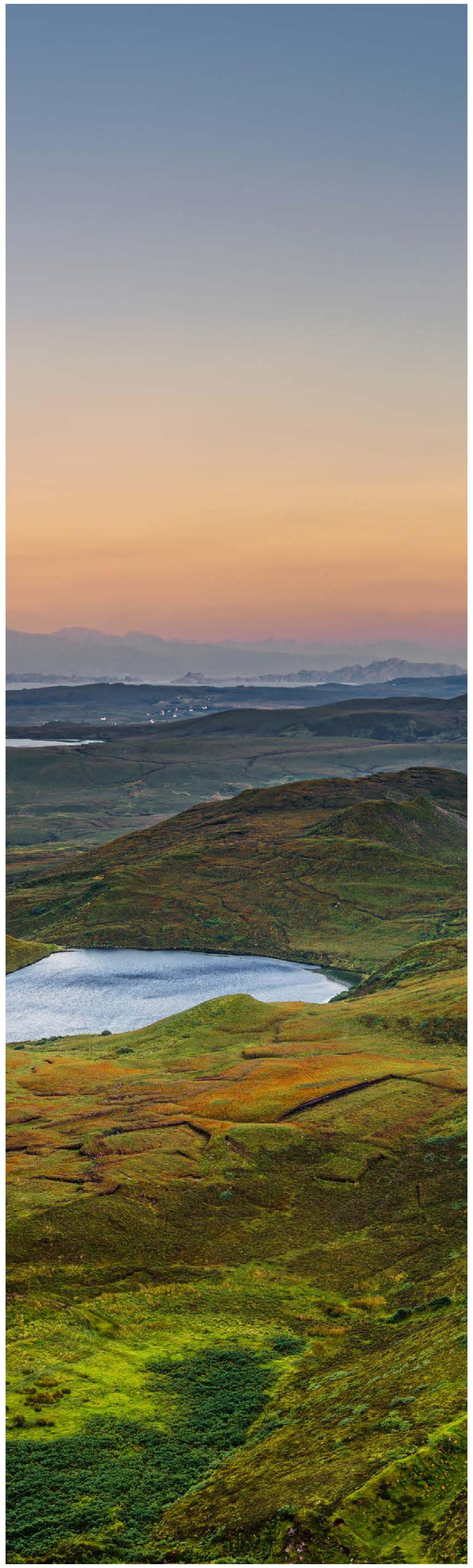
As with our work to press for more prudent accounting (detailed in the case study above on 'Reliable accounting to support long-term stewardship), we have undertaken outreach at a market level, as well as with individual companies over several years. This has involved a range of activities, including public position papers, government submissions (e.g. to the Competition and Markets Authority investigations into the audit in 2014 and 2019) and media outreach. We routinely track audit risk in investee companies and vote against auditor reappointments due to concerns over independence and audit quality on behalf of our clients.

In 2022 we narrowed the focus of our work on auditors to their role in checking that material climate factors are incorporated into company accounts. We believe the climate crisis and associated policy actions represent perhaps the greatest systemic risk of accounting mis-statement, and thus a core area for auditor scrutiny. It is through concrete examples that problems with audit quality and associated governance issues are exposed and market-wide understanding grows. Only then will investors, regulators and other market actors recognise the need for more effective auditor accountability. Above all, investors need to start monitoring audit quality and holding those that fall short to account through their annual votes. We have broken this work out as a separate initiative (see the case study on "Paris-aligned accounting and audit").

WHAT WE ACHIEVED

Our work has contributed to a number of impacts over the year. This includes new audit market requirements in the EU and UK to strengthen independence, transparency and investor accountability, as well as the UK's decision to disband the FRC to set up a better resourced and more independent regulator.

In May 2022, the most notable development in this regard was the government's final proposals to "Restoring Trust in audit and corporate governance", including recommendations to improve disclosure and auditor accountability to investors.



CASE STUDY: PARIS-ALIGNED ACCOUNTING AND AUDIT

THE ISSUE

Financial statements that leave out material climate impacts misinform executives and shareholders and result in misdirected capital. This has harmful consequences for the planet, as too much capital will flow into carbon-intensive activities, but also puts investor capital at risk. A misallocation of capital will furthermore lead to lower economic growth and lower long-term returns for all. (For a more detailed explanation of the issues, please see the briefing paper "Investor expectations for Paris-aligned accounting" authored by Sarasin & Partners, and published by the Institutional Investors Group on Climate Change, IIGCC, in November 2020).

Directors are responsible for signing off company accounts and thus must be held responsible for ensuring reliable numbers are produced. This means ensuring material climate risks are fully reflected. Auditors must also be held to account for kicking the tyres on company accounts and ensuring they deliver a true and fair view of the entity's economic health, taking climate considerations into account. Where the accounts fail to do this, the auditor should sound the alarm.

THE GOAL

Our goal is to ensure that all companies dependent on carbon-intensive activities (in their production processes, or for the consumption of their goods or services), provide visibility in their financial statements of how their financial position is expected to be impacted by:

1. The anticipated economic effects of climate change, policy measures to decarbonise and also the entity's own climate commitments; and
2. A transition onto a 1.5˚C-pathway, in line with the Paris Climate Agreement.

The anticipated impacts associated with climate change and any company commitments should be visible in the core accounts. Where the company does not perceive any impacts for the accounts, we seek disclosures in the Notes to the accounts as to how this conclusion has been reached. Regarding the second goal for visibility of the implications of a transition to a 1.5˚C-pathway, we expect this to be provided in the Notes to the accounts in the form of a sensitivity analysis.

We also expect auditors to provide disclosures as to how they have assessed the inclusion of material climate factors and to call out where managements' accounts fail to fully represent the sensitivity to a 1.5˚C-pathway.

WHAT WE DID

As with other initiatives we lead, this has been a multi-year project. Building Sarasin & Partners' analysis of eight oil and gas companies' financial statements in 2018 (published as 'Are oil and gas companies overstating their position?') Sarasin led a growing coalition of investors who work with the IIGCC. In September 2020, investor network groups representing over $100 trillion in assets published a statement calling for net zero accounts. A Climate Accounting and Audit working stream was established through IIGCC in 2021, which Sarasin & Partners has chaired ever since. Key actions have involved engagement with the Big Four audit firms (PwC, KPMG, EY and Deloitte), audit committee chairs at carbon-intensive companies, as well as outreach to regulators and standard setters responsible for oversight of accounting and audit.

In 2022, we continued our role as chair of the climate-accounting and audit working group at the IIGCC, overseeing:

- Three training sessions for investors to better equip engagement leads to respond to key questions;
- A programme of engagements with over 15 carbon-intensive companies in Europe across the energy, utilities, materials and transport sectors (Sarasin-led engagements and escalation steps are highlighted under **Principles 9-12**);
- Engagements with the large audit firms in the UK and France, calling for auditors to ensure greater challenge of management accounts and visibility for investors; and
- Interactions with the UK's FRC to support continued supervisory scrutiny.

Sarasin also made a detailed submission to the US Securities and Exchange Commission's (SEC's) proposed new rule for companies to provide detailed climate-related disclosures in their financial statements.

In addition, we continued to support a US initiative in climate accounting led by Ceres, which helped to coordinate company-specific accounting shareholder resolutions at Exxon Mobile and Chevron, as well as outreach to regulators (including the SEC and the Public Company Accounting Oversight Board (PCAOB).

WHAT WE ACHIEVED

This engagement effort has contributed to clear impacts over the years. Overleaf we point to key achievements by stakeholder group, with a focus on outcomes in 2022, summarised in the graphic that follows.

Investors

- CA100+ Investor Initiative, backed by over $68 trillion of assets under management (AUM), as of February 2022, has extended their company assessment benchmark to pilot accounting and audit indicators. This will help to ensure accounting and audit become part of the market standard for determining company alignment with a 1.5˚C-pathway.

- A second year of shareholder resolutions seeking audited statements on the financial consequences of a 1.5˚C-pathway at Exxon and Chevron received over 50% support in 2022. A similar shareholder resolution filed at the Australian-listed miner BHP, received roughly 20% support.

Companies

- In 2021 over 30% of the 36 companies that were sent letters to added a reference to climate risk in their 2020 financial statements (published in 2021). Building on this, more targeted engagements with 17 companies in 2022 saw each of these companies include a reference to climate in their accounting disclosures. Based on deeper analysis by Carbon Tracker of 12 companies, nine included substantive disclosures of how they consider climate risks and five included a partial sensitivity analysis for a well-below 2˚C-scenario. None met all of our expectations, but there is clear progress.
- An FRC review of 2021 accounts, published in July 2022, found 22 out of 25 UK-listed companies reviewed made a reference to climate change in the financial statements. This is a significant increase from their 2020 assessment, where six out of 24 companies referred to climate change. Several included climate as a factor in determining critical accounting assumptions, in impairment reviews and also in sensitivity analysis published in the Notes (see summary table from the FRC's report below).
- A number of UK and European oil and gas companies have adjusted critical accounting assumptions (specifically the long-term commodity price assumptions) explicitly linked to decarbonisation in the past two years. Impairments have been recorded. Examples include Shell, BP, TotalEnergies and Eni.
- For the first time, several UK and European companies have included some form of well below 2˚C or 1.5˚C sensitivity analysis within the Notes to the accounts (e.g. Shell, BP, Glencore, Rio Tinto, Equinor, Air Liquide).
- Shell's auditor, EY, once again referred to Sarasin & Partners and the IIGCC in Shell's 2021 annual report and accounts, while providing a full-page disclosure to meet investors' expectations.

Summary of key findings – financial statements disclosures (Section 8)

Judgements and estimates	Impairment reviews	Useful economic lives of assets	Segmental reporting and disaggregated revenue disclosures	Emerging areas
• A few companies disclosed climate change as a relevant factor for sources of estimation uncertainty with a significant risk of a material adjustment in the next financial year, and for significant judgements. • In some cases, companies explained why climate was not currently a relevant factor for significant judgements and estimates. • Some companies presented additional sensitivity disclosures to show the effect of assumptions included in the scenario analysis in TCFD disclosures.	• Several companies clearly addressed climate change in impairment reviews, quantifying significant assumptions such as commodity pricing and carbon pricing, and providing additional climate-related sensitivity analysis. • Others provided very generic disclosure of how climate had been factored into impairment review calculations and sensitivities. • A minority of companies did not provide all the disclosures required by IAS 36, which made it difficult to assess how they had considered climate change in their impairment reviews. • It was not always clear whether climate risk had been factored into cash flow projections or discount rates.	• Several companies clearly explained why the useful economic lives of certain assets were not affected by climate change or the transition to a low carbon economy. • Other companies, including some that stated their intention to replace or upgrade certain types of asset or production facilities, or that had set specific net zero targets, did not explain how climate change had been taken into account when determining the useful economic lives of related assets.	• Several companies revised their segmental reporting to reflect changes in the way management information was delivered in response to climate change and transition • The prominence of other companies' discussion of new low carbon businesses did not appear to be reflected in the segmental disclosures or in disaggregation of revenue disclosures.	• A small number of companies recognised emissions right assets or disclosed green finance or sustainability linked finance. • The extent of explanation of the accounting policies for these items did not always match their prominence in companies' narrative reporting.

Source: FRC, "CRR Thematic review of TCFD disclosures and climate in the financial statements", July 2022

Auditors

- All Big Four audit firms (UK) continued to enhance their training for audit partners, audit committees and also chief financial officers in companies. All the audit firms indicated they have rolled out sector-specific training.
- UK audit firms have implemented more consistent and routine climate-related disclosures in auditor reports for FTSE 250 companies.
- In 2021, 42% of the audit reports at the 36 companies engaged included a reference to climate risk, versus less than 3% of the 71 non-engaged auditors assessed by Carbon Tracker. In 2022, 67% of these firms' audit reports discussed climate considerations.
- The FRC found that 24 of the 25 audit reports it reviewed referred to climate change.

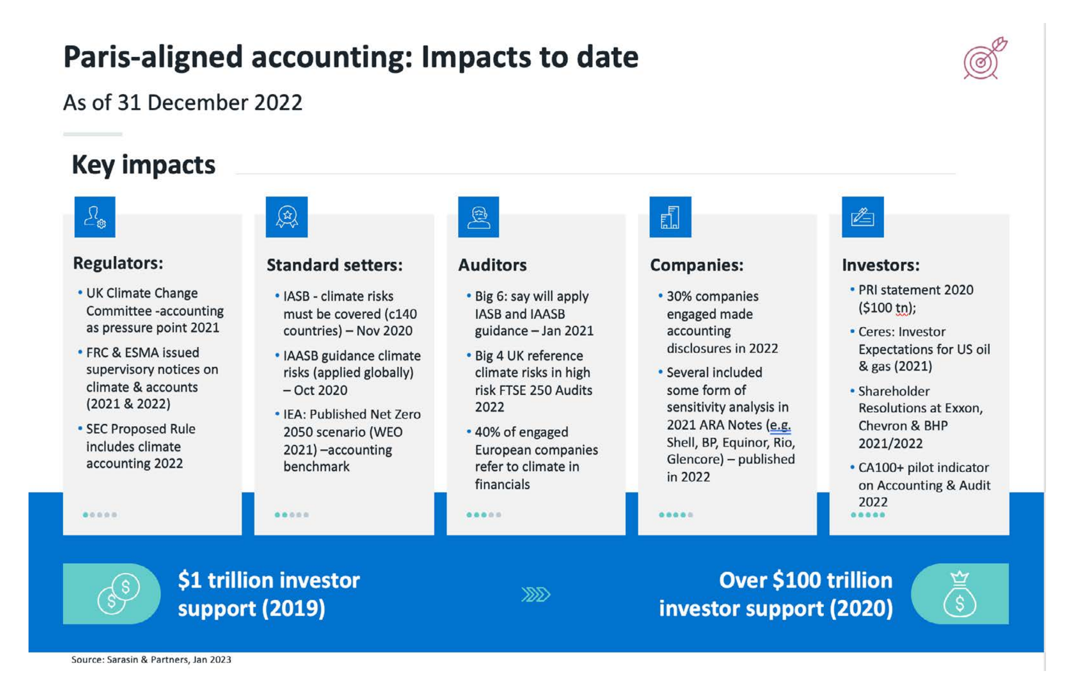
Regulators/standard setters

Building on past guidance from accounting and audit standard setters (the IASB and the International Auditing and Assurance Standards Board - IAASB - respectively) on the importance of including climate under existing standards, in 2022 we continued to see regulators step up their supervisory focus on this:

- The European Securities and Markets Authority (ESMA) again included climate risks in its supervisory priorities for financial statements, following its focus in 2021. The 2022 notice was more detailed and had a broader scope.
- Likewise, the UK's FRC reiterated its advice to audit committees and finance directors to consider material climate risks as part of a detailed thematic review covering climate reporting and accounting, published in July 2022.
- The US SEC published a proposed rule in March 2022 that would require detailed climate-related disclosures in companies' financial statements.

Civil society

- Carbon Tracker published "Still Flying Blind" in October 2022, the second iteration of its annual review of listed companies' financial statements.
- Greenpeace updated its review of investor voting related to climate accounting in December 2022. This focused on the reappointment of auditors and audit committee directors linked to whether net-zero accounts and audits were delivered, and Sarasin & Partners' leadership in this area was highlighted.



MODERN SLAVERY

We have always supported a responsible approach when it comes to the treatment of staff, contractors, customers, suppliers and other key stakeholders. As shareholders, we believe that human capital management has a strong impact on business resilience, sustainability and longevity and therefore is of direct consequence to our clients' capital.

Beyond the risks that coercive treatment of staff, suppliers, customers and other stakeholders introduces for individual businesses (see **Principle 9** for a discussion of our company engagement related to human capital), exploitative treatment of human capital is also corrosive for the wider communities in which a company operates. It therefore harms the socio-economic foundations on which future prosperity depends.

For this reason, we seek to support broader market-wide initiatives that ensure scrutiny to counteract such harmful practices. Modern slavery is amongst the most abusive forms of mistreatment, and thus a particular focus of our work on labour and human rights. We continue to work with the "Find It, Fix it, Prevent It" investor coalition, which we joined in 2020, to take action on concrete examples of Modern Slavery.

To date, we have worked predominantly with UK-listed companies in the food and hospitality sectors, and more recently in the housebuilding and construction sectors. In 2022 we joined a targeted initiative to tackle abusive behaviours in the UK's agriculture sector around the UK government's seasonal workers scheme.

CASE STUDY: UK SEASONAL WORKERS SCHEME

THE ISSUE

The UK government has made commitments to tackling modern slavery, while the International Labour Organization (ILO) has stated that no recruitment fees or related costs should be charged to, or be otherwise borne by workers or jobseekers. Despite these guidelines, under the UK Seasonal Workers Scheme there is evidence that workers often have to take out loans at high interest rates or sign over assets and property to pay for these fees and costs. This leaves the workers open to a high risk of debt bondage, one of the key indicators of forced labour. Particular concerns have been raised regarding migrants from Nepal and Indonesia, who have been left with thousands of pounds of debt after they have been sent home, only weeks after arriving.

THE GOAL

In keeping with our broader goal to promote action by all key market participants – including companies and regulators – to address any instance of modern slavery, in the case of the UK Seasonal Workers Scheme initiative, our goal is to ensure all companies in the UK's agricultural supply chain act swiftly to ensure that vulnerable migrant workers within their operations and supply chains are protected from exploitation. Regulators should ensure targeted enforcement and remediation of any weaknesses that allow for exploitation in the scheme.


INVESTOR STATEMENT: SEASONAL WORKERS SCHEME

Therese Kieve
19 December 2022
SHARE
2 MINS

Despite the UK government's commitments to tackling modern slavery and the International Labour Organization stating that no recruitment fees or related costs should be charged to, or otherwise borne by, workers or jobseekers, workers often have to take out loans at high-interest rates or sign over assets and property to pay these fees and costs. This leaves the workers open to a high risk of debt bondage, one of the key indicators of forced labour.

We believe that forced labour in any sector, in any workplace is unacceptable and as such have signed an investor statement prepared by the Find It, Fix It, Prevent It investor collaboration.

This investor statement is about the UK Seasonal Workers Scheme and the concerns that migrants

WHAT WE DID

In 2022 we co-signed the 'Find it, Fix it, Prevent it' Investor Statement on the UK Seasonal Workers Scheme, published in December 2022. As signatories, we committed to calling on retailers and firms in, and those who directly source from, the UK agricultural supply chain to:

- Undertake an independent investigation on the scale of recruitment fees and related costs that have been made by workers recruited through the UK Seasonal Workers Scheme;
- Implement the Employer Pays Principle and ensure ethical or responsible recruitment in their own businesses and supply chains;
- Work with suppliers and all businesses in the UK agricultural supply chain to agree and implement a fair process to repay UK Seasonal Workers Scheme workers' recruitment fees and related costs; and
- Encourage the government to bring the UK Seasonal Workers Scheme in line with international commitments such as Principles for Tackling Modern Slavery in Supply Chains and the Global Compact for Safe, Orderly, and Regular Migration, to reduce risks of exploitation and forced labour.

WHAT WE ACHIEVED

While this is a market-wide initiative in the UK, it is implemented through company-specific engagements. We are still at an early stage of implementation, but we believe there are signs of progress.

We have engaged with Compass Group as part of our ongoing work on forced labour, and gained some comfort that they take these concerns seriously. Having already assessed their immediate operations, they are in discussions with their wider supplier chain and others in the industry to raise awareness of these risks. We expect to see impacts unfold in 2023, as companies review their recruitment practices and liaise with their suppliers to ensure best practice.

We are pleased to see that at an industry level, the UK's leading supermarkets have formed a Seasonal Workers Scheme Task Force that will fund independent audits on British farms. It has recently been established in response to continued forced labour risks in the UK's seasonal worker's scheme. In March 2023 it published several useful resources, including audit materials.

NEXT STEPS

Where appropriate, we will lend our voice to support further robust action at the policy level. We will also continue our engagement with the most exposed companies in the agricultural sector and elsewhere, pressing them to ensure they conduct ethical and responsible recruitment in their own businesses and supply chains.

RESPONSIBLE TECH

We believe that engaging to promote responsible behaviour at technology companies is essential, given the increasing role these companies play in consumers' lives. Moreover, the role of technology extends well beyond designated tech companies to affect companies in all sectors today. This means that a failure to address harmful impacts for society from this global trend will have far-reaching consequences. In addition, as investors, our exposure to tech companies is inevitably growing, which means we have both a reason and responsibility to press for responsible behaviour.

Societal concerns around the role of technology are highlighted in academic research highlighted in academic research and by civil society organisations and regulatory bodies. These include allegations of anti-competitive behaviour, tax avoidance, excessive influence on children, discrimination and bias, negative impacts on mental health, the inappropriate use of personal information and weak information security. While the regulatory space is evolving, many believe governments have been slow to respond. We aim to play a role in pressing companies for greater accountability and, where relevant, helping to shape public policy and

industry standards.

CASE STUDY: ETHICAL ARTIFICIAL INTELLIGENCE (AI)

THE ISSUE

AI technologies have become an important part of our everyday life and also companies' business success. However, there are risks of unintended (and sometimes even intended) consequences associated with the development of automated and non-transparent algorithms taught on potentially biased data. Examples of risks include data manipulation, suppression of freedom of speech or fair competition, discrimination, or other violations of human rights.

Tech sector companies are influential and can be cross-cutting enablers of sustainable and inclusive development. However, opacity around AI technologies used in a variety of contexts – from content management on social media platforms to selection of third-party products on e-commerce platforms – hampers such positive impacts.

Most AI-focused companies have not adopted ethical AI principles: out of 150 keystone tech companies from 47 countries covered by the 2021 Digital Inclusion Benchmark of the World Benchmarking Alliance (WBA), only 20 had any public ethical AI principles and governance processes in 2021. A mere 15 demonstrated the basics of human rights due diligence.

THE GOALS

All companies that use AI as part of their product or service delivery need to ensure basic good practice is followed. Tech sector companies have a particular responsibility to demonstrate leadership towards building an inclusive and trustworthy digital transformation. Our goal is to work with other like-minded investors to research, define and promote best practice in the use of AI in the tech sector, with a specific focus on ensuring that human rights are promoted.

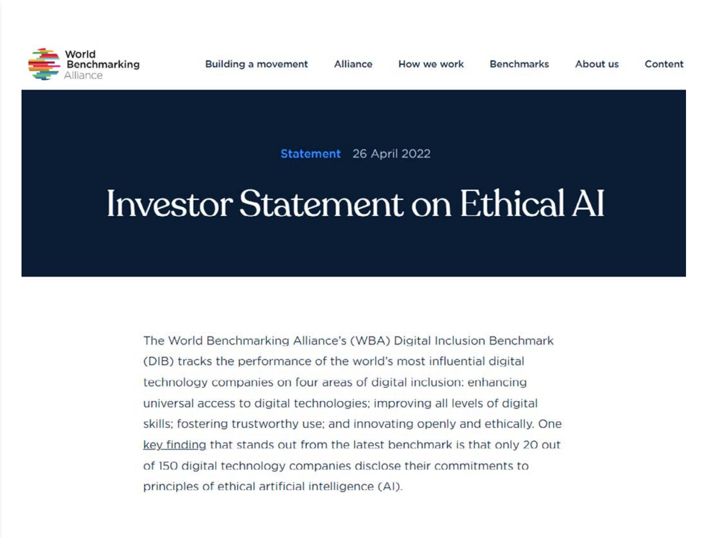
WHAT WE DID

Having co-signed the Investor Statement on Ethical AI published by the World Benchmarking Alliance in April 2022, we joined the Ethical AI Collective Impact Coalition (CIC). The coalition was formally launched in September 2022 and includes a group of 30 investors representing $6.4 trillion in AUM.

This collective engagement is looking to boost the extent to which the sustainable approach to design and use of any AI technologies by key tech sector companies is (a) in line with the UN Guiding Principles of Business and Human Rights, and (b) public. Companies are expected to assess and minimise their negative human rights impacts.

The coalition has prioritised engagements with 40 of the most powerful digital economy companies with a measurable aim: to see an increase in disclosed commitment to ethical AI principles.

Sarasin & Partners has become a co-lead on Amazon and a support investor on PayPal and Apple. We helped draft letters to all three and helped shape two of the engagements (see



"We encourage the companies we invest in to implement policies and mechanisms to ensure the ethical development and application of AI, guided by respect for human rights and the principle of leaving no one behind. As a first step, we specifically ask that companies disclose a commitment to abide by principles for ethical AI development and application. Such disclosure will signal that a company gives serious attention to this issue from the highest levels of management."

Investor Statement on Ethical AI – World Benchmarking Alliance

Principle 10 for a case study on our work relating to Amazon). We also took part in the peer learning session in September.

WHAT WE ACHIEVED

Although it is too early to judge achievements, there are signs that investor asks have been well received by some of the companies in the engagement. The 2022 Digital Inclusion Benchmark showed that of the 150 companies assessed in 2021 and 2022, five made progress in 2022 by publishing their ethical AI frameworks for the first time.

NEXT STEPS

We will continue our collaborative engagements with companies in the tech sector, especially those where we are co-leads or members of investor groups in the Ethical AI CIC.

CASE STUDY: TAX TRANSPARENCY

THE ISSUE

We see reputational, governance and earnings risks from aggressive tax practices by many multi-national entities (MNEs). Tax avoidance degrades the ability of governments to provide the needed infrastructure and social welfare services to their populations, which are in turn important foundations for economic growth and future corporate success. The more corporations minimise their tax bills, the more the tax burden will fall to citizens who are often less able to pay.

The tech sector has been particularly exposed to allegations of tax avoidance and evasion (see examples on Amazon and Microsoft). Specifically, they have been accused of seeking to shift their profits away from where they actually earn them, to countries where they have little economic exposure but that have lower tax rates. We not only consider such practices to run contrary to international principles that taxes should be paid where economic value is generated, but they also raise long-term investment risk. Heightened scrutiny from tax authorities and policymakers around corporate tax, such as recent legislative initiatives in the EU and Australia, are exacerbating those risks.

Investors currently have little information to assess country-specific effective tax rates, which makes it difficult to determine whether companies are exposed to potential regulatory action, or reputational risks associated with irresponsible tax behaviour.

THE GOAL

Our goal is to support responsible tax practices that contribute to stable, well-functioning socio-economic systems. This does not mean companies cannot reduce taxes where this is in keeping with both the letter and spirit of local laws and regulations. However, we do not believe that aggressive tax avoidance is in shareholders' long-term interest.

The key element of this is tax transparency. Country-by-country reporting (CbCR) of tax information offers a potential antidote to negative tax practices and has been supported by a growing number of international agencies and non-governmental organisations, such as the Organisation for Economic Cooperation and Development, Transparency International, Global Financial Integrity, FACT Coalition and the Tax Justice Network. The Global Reporting Initiative (GRI) has also developed Standard 207 for detailed CbCR.

WHAT WE DID

To support our call for responsible tax behaviour, we have aligned our voting to support shareholder resolutions seeking greater tax transparency where it is lacking. In 2022 we supported three shareholder resolutions calling for voluntarily public CbCR at Amazon, Cisco and Microsoft.

However, despite the strong rationale for supporting these resolutions, they received 21%, 27% and 23% in investor support, respectively. This is because the world's leading proxy advisor, Institutional Shareholder Services (ISS) – which advises 3,400 investor clients worldwide – recommended voting against all three resolutions.

Expanding our work to the broader market, we joined the PRI Tax Reference Group that aims to tackle aggressive tax planning. In 2022, working through this group, we co-signed a collective letter to ISS asking it to adjust its benchmark voting policy to support improved corporate tax transparency. We subsequently had a call with ISS' heads of benchmark research and specialty research to make the case for ISS:

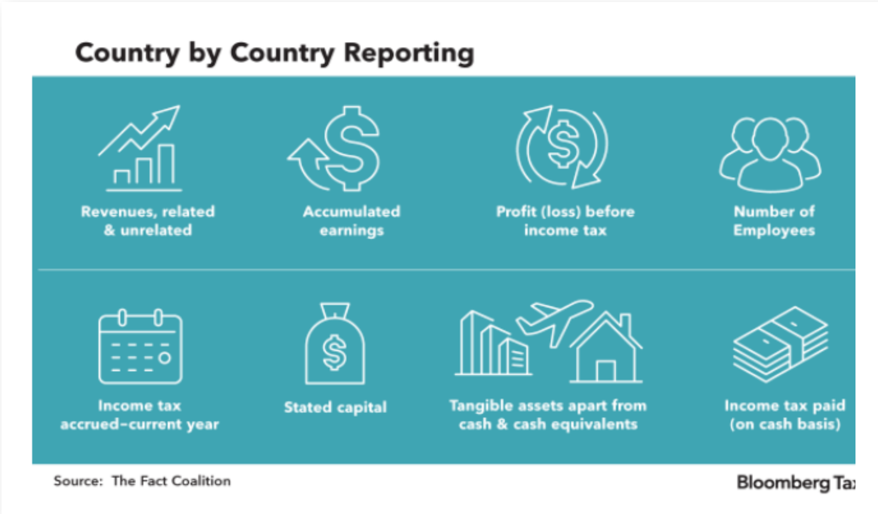
1. To support shareholder resolutions asking for CbCR at MNEs where tax transparency is low and/or there are allegations of aggressive tax policies;
2. To recommend voting against company directors and auditors where aggressive tax minimisation efforts are identified; and
3. To consider responsible tax principles when making voting recommendations relating to re-incorporation in low-tax jurisdictions.

WHAT WE ACHIEVED

Our engagement with ISS is still at an early stage, so there are no clear achievements we would point to at this stage, but we are pleased with the level of the discussion that we have with ISS.

NEXT STEPS

We hope to catalyse a broader investor voice in support of CbCR in 2023. With increased disclosure of GRI-207 aligned reports, we also expect ISS to come under greater pressure to make progress in its approach. This outreach will be supported by engagement with companies where tax policies are a focus.



CASE STUDY: CIRCULAR ECONOMY – GLOBAL PLASTIC POLLUTION TREATY

THE ISSUE

In the face of growing concerns over the degradation of our natural environment, on which we all depend for our future prosperity, efforts to deliver a circular economy are paramount. Scientists increasingly warn that we are over-using scarce resources, and our disregard for careful waste management is imposing costly externalities on essential ecosystems. Plastic waste is a particular danger. According to the Ellen MacArthur Foundation, the amount of plastic entering the ocean could almost triple, from 11 million tonnes in 2016 to 29 million tonnes in 2040, if urgent action is not taken.

While policymakers are responding through rules intended to promote a circular economy, they are too often weak and ineffectual. They have not gone far enough to stem the rise in plastics and other harmful wastes.

Investors have a critical role to play in pressing companies and policymakers to take more proactive steps to deliver circularity. This is most pertinent for consumer goods companies and other material users of plastics.

THE GOAL

The goal is to work with other investors to promote stronger government action in support of a circular economy. In anticipation of a global treaty to eradicate plastic pollution in 2022, which has been in the works for several years, we aim to play a role in delivering on international goals.

As we have seen with the Paris Climate Agreement reached in 2005, what matters in the end is government action at a national level to introduce policies and enforce these. We aim to press governments to deliver impactful policies, such as bans on the most harmful forms of plastics pollution, financial incentives to shift plastics production, use and the promotion of greater recycling, as well as effective enforcement to ensure that those who fail to abide by requirements are held accountable.

WHAT WE DID

We were pleased to support the As You Sow Investor Call for a Global Treaty on Plastic Pollution, published in March 2022. The main asks included:

- A coordinated international response that covers the entire lifecycle of plastics, not just improvements to waste management systems;
- Reducing plastic use at least in line with the one-third cut in demand recommended by the Pew Charitable Trusts' Breaking the Plastic Wave report;
- A circular-economy approach, eliminating problematic and unnecessary plastics and focusing upstream to design out waste;
- Decoupling plastic production from consumption of fossil fuels, as well as agreement on harmonised definitions and standards;
- A coordinated international approach on national targets, action plans and minimum requirements;
- Common reporting and monitoring standards at corporate and national levels; and
- International capacity-building mechanisms to support technology transfer, citizen education and funding to scale innovative initiatives.

WHAT WE ACHIEVED

In March 2022 the UN Environment Assembly approved a resolution to create the world's first-ever global plastic pollution treaty, describing it as the most significant green deal since the 2015 Paris Climate Agreement. We were pleased to lend our voice to the investor statement in support of this treaty.

NEXT STEPS

We will closely monitor the treaty's progress over the next two years, particularly the stringency of rules to prevent plastic pollution and its related risks to human well-being and the environment. Where appropriate, we will support more robust action.

In the meantime, we will continue our engagement with the most exposed companies on the steps we expect them to take towards ensuring their processes adopt a circular economy mindset.

LOOKING FORWARD

We continually monitor scientific understanding, regulatory developments, civil society scrutiny and client concerns to help ensure that we are targeting our policy outreach efforts appropriately. Under most of the initiatives above, we point to our next steps which are informed by the progress achieved to date and our ongoing commitment to the over-riding goal. These may evolve over the course of the coming months, but each of these initiatives are expected to be a multi-year programme.

PRINCIPLE 5

REVIEW AND ASSURANCE

Ensuring that we deliver on our stewardship commitments to clients is vital. If we don't – beyond letting our clients down – we put the long-term success of our business at risk. At a time of rising concerns over greenwashing linked to ESG and stewardship claims, it is more important than ever to report transparently on our stewardship work and the outcomes of this work.

Not only is reliable reporting essential for our clients to be able to hold us to account, but it also underpins more effective stewardship. Accurate reporting feeds into internal assessments of performance and resource allocation.

In this section, we outline how we review and assure our stewardship policies, processes and external reporting. We also outline tools we are developing to assess and report on the effectiveness of our stewardship work. Finally, we report on third-party reviews of different aspects of our stewardship work published in 2022.

REVIEWING OUR POLICIES, PROCESSES AND REPORTING

Our Stewardship Steering Committee (SSC), formed in 2021, regularly reviews our stewardship policies and processes, in addition to assessing their effectiveness, as discussed in **Principle 2**. Recommended actions are made to the Asset Management Committee.

In 2022 the SSC reviewed our current priority initiatives, including Sarasin's Net Zero Action Plan, proposals for enhanced client sustainability reporting, the 2021 Stewardship report and data sources for regulatory sustainability reporting. Among the areas for improvement in 2023, the SSC has identified the need to strengthen and formalise internal ESG / sustainability-related processes, as well as investment into additional resource for data management systems to respond to regulatory, industry and customer needs.

Our risk department routinely reviews our portfolios across a range of risk metrics, including the ESG characteristics and adherence to ESG restrictions associated with particular strategies.

Internal auditors, who report directly to our Board, periodically review our asset management activity. This independent review is a key part of the firm's control system to ensure we maintain rigorous standards and helps to identify any issues that would require action.

The first internal audit of our ESG and stewardship processes was undertaken in 2022. A detailed report will be delivered to the Board in 2023.

We also obtain an independent audit opinion from Deloitte LLP. This assures that our proxy voting activities are based on the standards of the Institute of Chartered Accountants in England and Wales' AAF 01/06 guidance. This audit is conducted annually.

Client feedback. We are accountable to our clients. Alongside our public policies, we provide our clients with regular ESG and stewardship reports relating to their holdings. We also routinely seek feedback from our clients as to our performance and areas for improvement. This feedback is reviewed and appropriate actions taken. See more on this in **Principle 6**.

Assurance of this report. Our SSC reviews our annual stewardship report to ensure that it is fair, balanced and understandable. The report is further reviewed and formally approved by the Executive Committee and the board and signed by the Managing Partner and the Head of Stewardship.

We have not, as yet, done an independent third-party assurance of this report.

In the next sections we discuss the efforts to measure our effectiveness and third-party assessments of the quality of our stewardship work.

MEASURING HOW EFFECTIVE WE ARE

ENGAGEMENT OUTCOME TRACKING

We have developed an internal data management system (our Engagement Tracker – see **Principle 2**) for recording all our engagement activities. The Tracker went live in 2022. One of its key features is functionality that permits us to record 'outcomes' associated with our engagements at three levels:

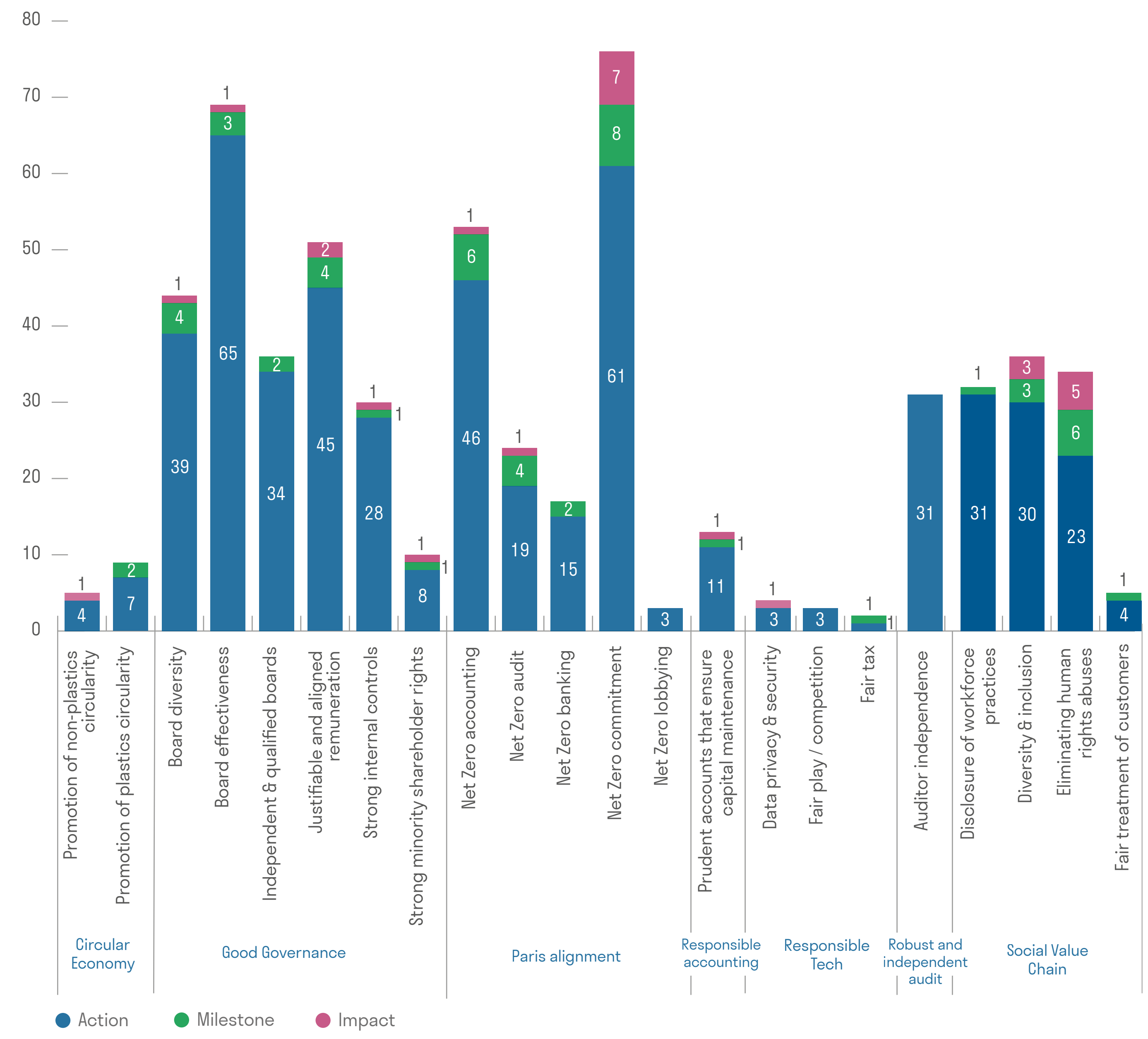
Outcome	Progress that results from our engagement activities on the course to achieve our engagement goals:
Milestone	An outcome of engagement which signals moderate progress towards achieving the goal, e.g. management acknowledged our concerns and has a plan to address them, or took certain steps towards achieving the goal.
Impact	An outcome of engagement which signals sufficient progress that allows us to say we have demonstrably moved towards achieving the goal, e.g. a public announcement or strategic move.
Goal achieved	An outcome of engagement where the original goal is achieved. In this case, we may either close the engagement or allow some additional time for monitoring before completion.

Our Engagement Tracker enables portfolio and firm-wide client and regulatory reporting on engagement progress and achievements. In addition, it enhances the effectiveness of our stewardship work by providing a centralised and accessible system to support:

- Voting decisions, ensuring alignment with any ongoing engagement;
- ESG assessments, ensuring they reflect insights from ongoing engagements; and
- Investment decisions, ensuring they consider ongoing engagements.

Critically, it means that supporting documentation, such as letters sent and received, are available to evidence the reported progress.

OUTCOMES OF ENGAGEMENT ACTIVITIES (NUMBER OF GLAs*)



Note: Goal-linked activity (GLA) is any type of engagement interaction with the company on a single goal. In cases where we have an interaction with a company covering more than one goal, this will be recorded as >1 GLA.

For specific examples of the impacts of our company engagements covering equities and fixed income, see **Principle 9.** For the impact of our market outreach activities, see **Principle 4.** For recent performance data, please contact our client affairs team.

PERFORMANCE ATTRIBUTION

In addition to tracking the real-world outcomes of our engagement work described previously, an important measure of our overall stewardship effectiveness is our long-term risk-adjusted investment performance.

To assess the effectiveness of our ESG integration work, we undertake attribution analysis of the ESG factors that lead to improvements or deteriorations of financial performance. In what follows, we outline analysis we have produced for our equity and fixed income holdings. It is important to stress that there are inevitably numerous statistical challenges with any such analysis, such as the implications of limited data, sector impacts, short time periods and correlation versus causation. Consequently, this analysis should be considered provisional.

EQUITIES

Keeping in mind the qualification above regarding statistical challenges, we have used three methods to help quantify the value added by our ESG and stewardship work.

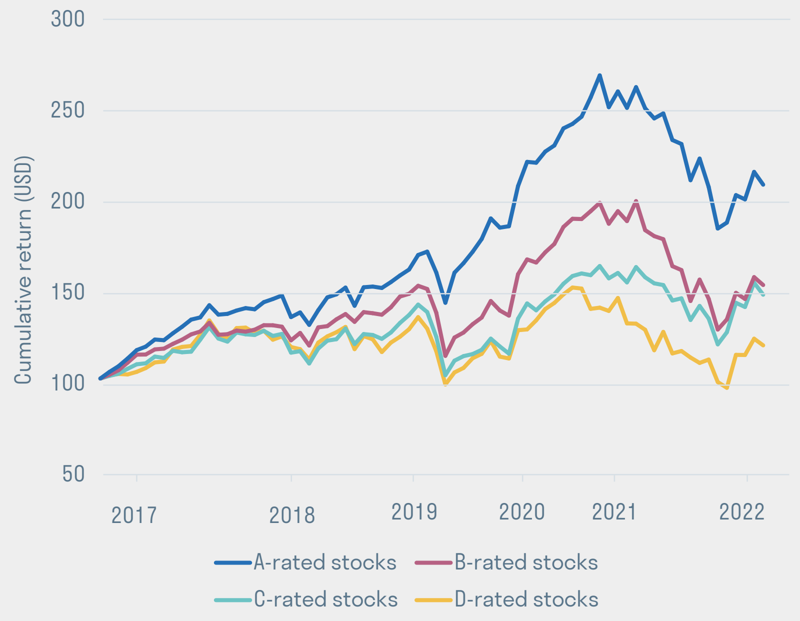
Performance of A-rated stocks versus D-rated ESG stocks

This analysis has been performed for our internal global and UK equity buy lists since 2017. It compares the performance of market-cap weighted portfolios containing the A, B, C and D stocks based on their Sarasin ESG rating at the beginning of each month.

The analysis shows that the A-rated portfolio has significantly outperformed the D-rated portfolio. As shown in the tables overleaf, the A-rated portfolio also has the lowest volatility, highest Sharpe ratio and lowest or nearly lowest drawdown over the period. This is consistent with our analysis in previous years.

PERFORMANCE OF BEST AND WORST ESG-RATED STOCKS

PERFORMANCE OF MARKET-CAP WEIGHTED PORTFOLIOS, MONTHLY REBALANCING



Source: Bloomberg, Sarasin & Partners, data as of 31.01.2023. Returns are USD gross of all costs. Each basket is computed based on historical Sarasin ESG ratings and buy list membership and does not track the actual return of any portfolio or fund. Each rating basket is weighted by market cap and rebalanced at month-end. **Past performance is not a guide to future returns and may not be repeated.**

PERFORMANCE SUMMARY

Portfolio	Ann. return %	Ann. vol %	Sharpe	Max. drawdown %	Max. drawdown date	Beta to MSCI ACWI
A-rated stocks	13.11	16.02	0.82	31.57	2022-09-30	0.92
B-rated stocks	8.43	18.25	0.46	35.74	2022-09-30	1.06
C-rated stocks	7.82	18.14	0.43	27.59	2020-03-31	1.04
D-rated stocks	4.65	19.66	0.24	36.74	2022-10-31	0.96
Buy list	7.41	16.70	0.44	31.51	2022-09-30	0.98
MSCI ACWI	8.92	16.31	0.55	24.96	2022-09-30	1.00

Source: Bloomberg, Sarasin & Partners, data as of 31.01.2023. **Returns are in USD, gross of all costs.** Each basket is computed based on historical Sarasin ESG ratings and buy list membership and does not track the actual return of any portfolio or fund. Each rating basket is weighted by market cap and rebalanced at month-end.
Past performance is not a guide to future returns and may not be repeated.

DRAWDOWN ANALYSIS

Start	End	Duration (months)	MSCI ACWI	A-rated stocks	B-rated stocks	C-rated stocks	D-rated stocks	Buy list
2018-01-31	2019-10-31	21	15.78	11.09	9.57	15.60	16.27	10.37
2021-12-31	2023-02-28	14	24.96	31.57	35.74	26.60	36.74	31.51
2019-12-31	2020-08-31	8	21.26	16.56	25.51	27.59	27.66	24.49
2020-08-31	2020-11-30	3	5.51	2.70	10.86	19.16	16.99	10.82
2020-12-31	2021-02-26	2	0.45	0.22	1.04	2.68	5.05	0.87
2021-08-31	2021-10-29	2	4.08	6.56	5.84	4.17	8.57	5.28
2021-10-29	2021-12-31	2	2.38	6.69	5.10	5.55	13.25	5.12

Source: Bloomberg, Sarasin & Partners, data as of 31.01.2023. **Returns are in USD, gross of all costs.** Each basket is computed based on historical Sarasin ESG ratings and buy list membership and does not track the actual return of any portfolio or fund. Each rating basket is weighted by market cap and rebalanced at month-end.
Past performance is not a guide to future returns and may not be repeated.

This analysis offers provisional support to our view that we gain value-adding insights from our internal assessment of companies' ESG attributes.

Value added from ESG ratings changes

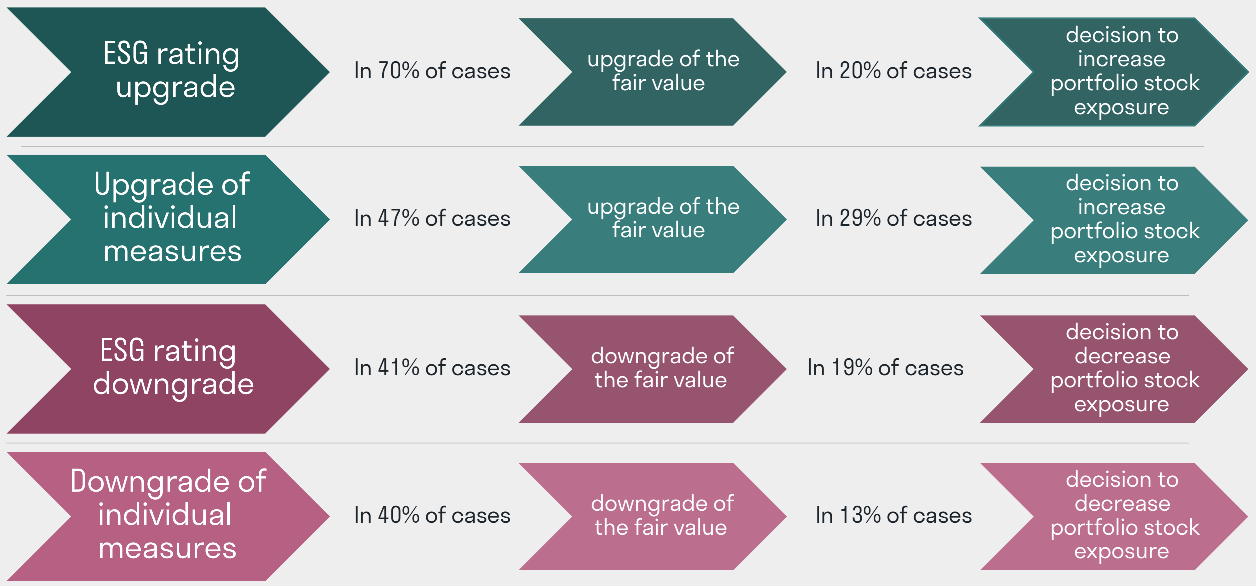
This is another methodology we use to examine whether changes to our ESG ratings, which are often directly linked to our engagement efforts:

- Led to changes in fair value, or were impactful in our calculation of fair value;
- Resulted in decisions to buy or sell stocks (see **Principle 7** for a description of how ESG is embedded in our investment decision-making); or
- Impacted the performance of these stocks in our five core equity strategies.

Through a number of analytical iterations, which include selecting the portfolio decisions that could confidently be attributed to ESG upgrades or downgrades, we have arrived at the statistics shown in the chart below.

INVESTMENT IMPACTS

LOOKING AT INVESTMENT IMPACTS IN 2021-2022



Source: Bloomberg, Sarasin & Partners. Data for the period 31.12.2021 - 31.12.2022.

We have to reiterate that market circumstances in 2022, which included the war in Ukraine, the energy crisis in Europe and global spike in inflation, have caused many more downgrades than upgrades in the fair value of stocks. While the ESG score changes were made as regularly as before, the link between those and fair value changes has become less explicit. In some cases, due to market challenges we downgraded the stock fair value even when its ESG score or Sustainability Impact Matrix (SIM) measure had been upgraded.

The number of ESG-related portfolio actions was therefore limited and not statistically significant to include the performance element into this analysis.

Avoided and sold investments due to ESG

A final methodology that we use is to consider the value added from avoided or sold investments, where these were expressly linked to ESG concerns.

Over the past year, examples of this include: Twilio, Meituan, Sea, NextEra, HDFC, Shimano, First Republic and Associated British Foods.

We investigated the impact of stocks sold on ESG grounds for individual funds. The chart on this page summarises the findings for a representative account. It shows that stocks exited on ESG grounds were down on average by 11.4% 12 months later, suggesting that the decision to exit these companies enhanced performance and protected clients' capital.

As emphasised previously, this analysis needs to be used with caution, as there are inevitably issues that arise due to small sample sizes and other factors. We will continue to evolve our quantitative analysis to improve rigour and reliability.

FIXED INCOME

Turning to how our ESG analysis added value in our fixed income process in 2022, we have not yet conducted portfolio-level analysis, but we can point to a number of examples.

Higher ESG-rated water companies performed better

A good example of where our assessment of elevated ESG risks (see **Principle 7** for the details of our ESG credit ratings and SIM analysis) led to better performance in 2022, was provided by UK water operating entities Southern Water and Dŵr Cymru (see chart on the right).

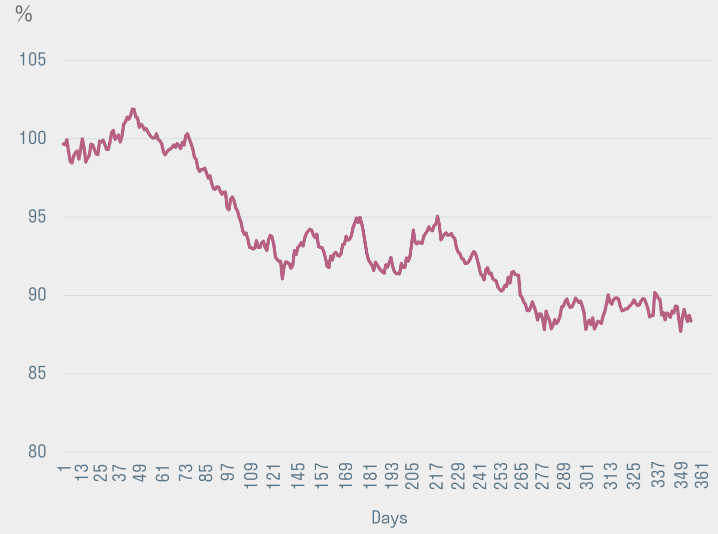
Southern Water has an ESG credit rating of BBB and five measures assessed as red on SIM. Dŵr Cymru has an ESG credit rating of A and no measures assessed as red on SIM.

During the year, Southern Water was ordered to pay a record £90 million in fines after pleading guilty to widespread pollution via unpermitted discharges. This follows previous years where the company has consistently fallen behind in numerous environmental indicators versus peers, in particular, relating to waste water management.

Dŵr Cymru, in contrast, is not as leveraged and does better on a range of water management indicators. It is also structured as a mutual, which means that the shareholders are Dŵr Cymru customers. This, we believe, results in management incentives being better aligned with customer outcomes. Also, any profits are distributed to customers, rather than outside shareholders of the entity, in the form of dividends.

AGGREGATE RELATIVE PERFORMANCE OF STOCKS SOLD ON ESG GROUNDS

(12+ MONTHS AFTER EVENT)

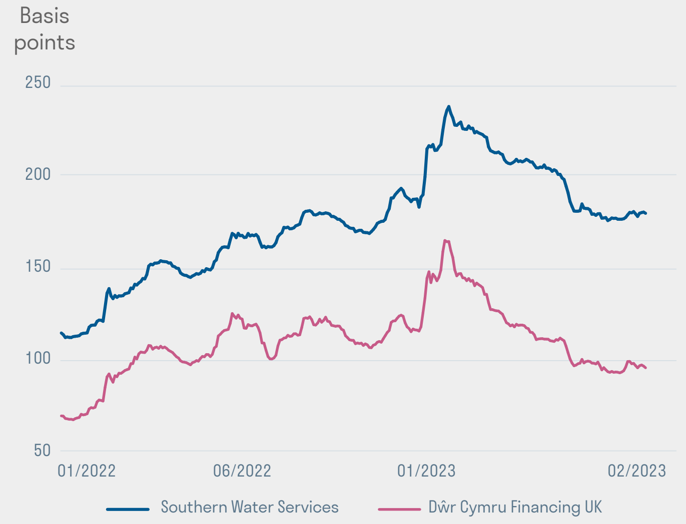


Source: Sarasin & Partners analysis. Data for January 2018 – December 2022. Representative account shown for illustrative purposes.

Past performance is not a guide to future returns and may not be repeated.

PERFORMANCE OF BONDS WITH DIFFERENT ESG CREDIT RATINGS

SOUTHERN WATER VS. DŴR CYMRU



Source: Bloomberg, February 2023

Past performance is not a guide to future returns and may not be repeated.

Better governed and energy efficient housing associations performed better

A further example from 2022 of where elevated governance risks led to concerns over heightened solvency risks, and thus worsening bond performance, was in the housing association sector. Specifically, we had concerns over entities that had moved towards an excessive reliance on house sales, rather than keeping their focus on generating rentals from the provision of social housing. As a result of this, we shifted our investment exposure to entities with lower exposure to house prices. We also believe the housing associations that retain a tighter focus on their core function of providing high-quality social housing will perform better in the long term.

Our approach is illustrated through our move away from holding Notting Hill Genesis towards Jigsaw Funding.

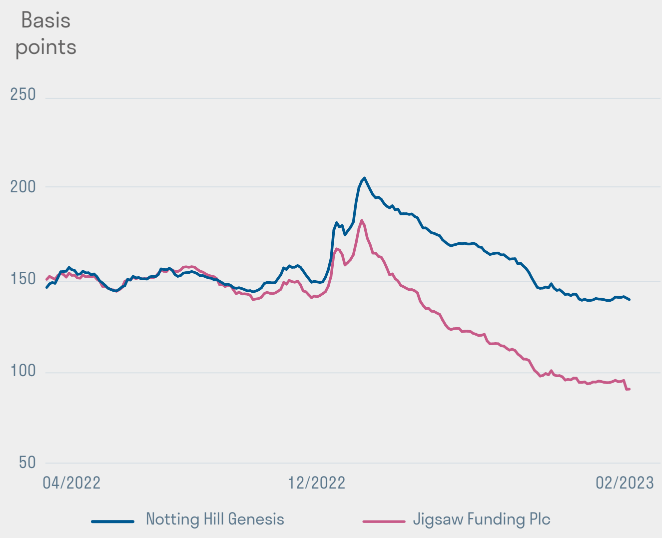
JIGSAW FUNDING VS. NOTTING HILL GENESIS

Notting Hill Genesis is a large housing association which generates a relatively large proportion of its revenue from market sales (30%). This means that, in addition to revenues from providing social housing, they also earn revenues from building homes for sale. Many housing associations use this activity to generate funds for expanding social housing; however, it increases exposure to house price volatility.

Providers of social housing score better on our social indicators. Furthermore, heading into a recession – despite being aware of government caps on social rents – we thought it prudent to shift our exposure towards those providers as they are less dependent on property sales. Jigsaw has just 5% of revenues from market sales and the remainder from social housing, which puts its social focus at the core of its business.

PERFORMANCE OF BONDS WITH DIFFERENT ESG CREDIT RATINGS

JIGSAW FUNDING VS. NOTTING HILL GENESIS



Source: Bloomberg, February 2023

Past performance is not a guide to future returns and may not be repeated.

Value added from ESG rating changes

CREDIT SUISSE

Credit Suisse is an example of where our view on the worsening governance situation in 2022 led us to give the company a low governance score of 4 out of 10, with two out of five governance measures being red. We also highlighted Credit Suisse's environmental weaknesses related to relatively high and increasing lending exposure to fracking and other unconventional oil and gas. In addition, we noted high reputational risks relating to its social factors. This stemmed from ongoing uncertainties following the wind-down of its supply chain funds and losses related to its US-based hedge fund.

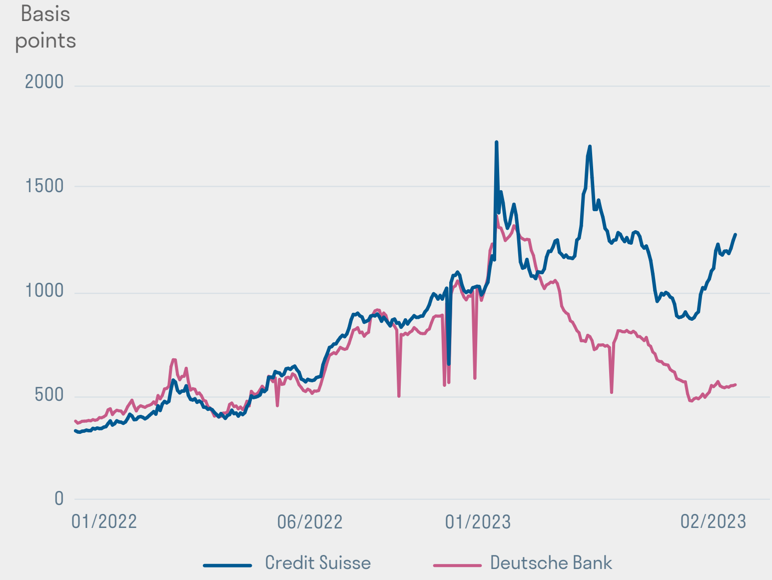
In June 2022 we sold our holdings in Credit Suisse's Additional Tier 1 (AT1) bonds on the back of elevated governance concerns, particularly relating to risk management, and ongoing negative headlines. At the time, we believed these issues reflected cross-divisional risk control deficiencies that require a governance overhaul. Following worsening fundamental financial conditions and news relating to client retention, the bank entered into a painful restructuring programme at the end of 2022. The aim of this was to de-risk and simplify the bank, in addition to addressing governance weaknesses. Renewed market stress in mid-March 2023 sparked by the failure of Silicon Valley Bank, intensified concerns about Credit Suisse's financial health leading to significant outflows of deposits and assets under management damaging its liquidity ratios. Credit Suisse was subsequently taken over by UBS as part of a government orchestrated rescue which led to all AT1 holders being wiped out.

Avoided poor performance on ESG grounds

ADANI GREEN ENERGY LTD

Adani Group has issued green and sustainability-linked notes during the course of 2019-2021. In 2022 they came under substantial pressure following accusations of accounting fraud by a hedge fund and short seller, Hindenburg Research. Throughout this period we have refrained from investing through either the primary or secondary market due to concerns regarding greenwashing and poor bondholder treatment. The substantial spread volatility in the first quarter of 2023 reflects that our concerns proved to be well-founded.

CREDIT SUISSE

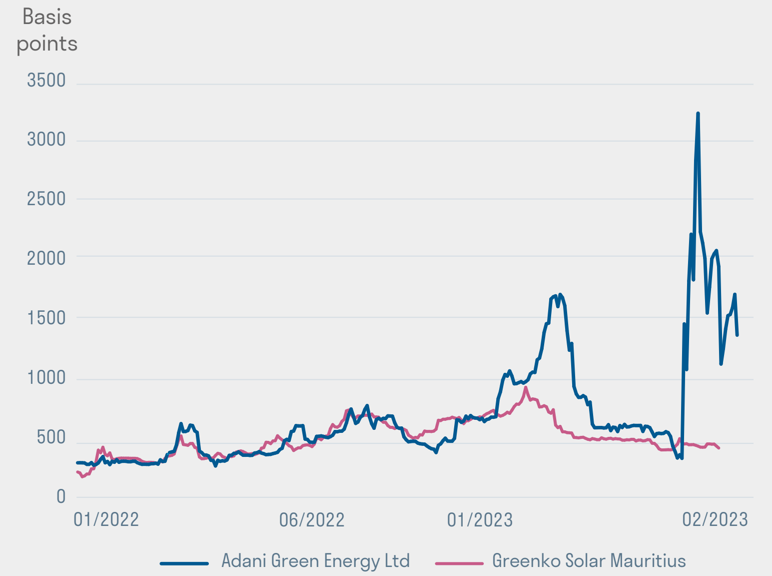


Source: Bloomberg, February 2023

Note: This chart shows a comparison of Credit Suisse with Deutsche Bank's AT1 bonds. Deutsche Bank has had its own problems in the past, but the ongoing restructuring has resulted in a more efficient bank with a stronger balance sheet (hence our holding).

Past performance is not a guide to future returns and may not be repeated.

ADANI GREEN ENERGY LTD



Source: Bloomberg, February 2023

We compare Adani vs a similar investment Greenko, who we have held for a long period. We take comfort in the company, given its shareholders include GIC, Singapore's sovereign wealth fund, which has board representation and a history of shareholder support.

Past performance is not a guide to future returns and may not be repeated.

EXTERNAL ASSESSMENTS AND AWARDS

While we have received many different awards and accolades, here we highlight those that relate to stewardship and ESG assessments.

PRI RESPONSIBLE INVESTMENT ASSESSMENT

In our latest Principles of Responsible Investment (PRI) Assessment Report published in 2022, we received top marks, i.e. five stars, in seven out of eight modules. We were awarded four stars in the remaining module, performing well above the median in all categories. We share a summary of the Assessment on the right.

FRC UK STEWARDSHIP CODE

Based on our 2021 Stewardship report, demonstrating how we have applied the Code's 12 Principles in the previous 12 months, Sarasin & Partners became a signatory of the UK Stewardship Code again in 2022.

PAM AWARDS 2022: BEST SUSTAINABLE INVESTMENT SOLUTION

Sarasin & Partners won the award for best Sustainable Investment Solution at the PAM Awards in 2022.

The PAM Awards are well-respected in the wealth management industry, as they recognise consistency of investment performance and client service.

SUMMARY OF PRI ASSESSMENT 2022

SARASIN & PARTNERS	PRI 2021 ASSESSMENT	MEDIAN
95% ★★★★★	Investment & Stewardship Policy	60%
100% ★★★★★	Direct - Listed equity - Active fundamental - incorporation	71%
100% ★★★★★	Direct - Listed equity - Investment trusts - incorporation	66%
96% ★★★★★	Direct - Listed equity - Active fundamental - voting	54%
96% ★★★★★	Direct - Listed equity - Investment trusts - voting	60%
87% ★★★★☆	Direct - Fixed income - SSA	50%
92% ★★★★★	Direct - Fixed income - Corporate	62%
92% ★★★★★	Direct - Fixed income - Securitised	55%

Note: due to a change in methodology and delays in analysis, PRI's Assessment published at the end of 2022 covered ESG and engagement work from 2021.

It is also important to note that this assessment is based on self-reporting and is not independently verified. Our PRI Assessment Report and PRI Transparency Report with the latest reviews are available on our website.

WINNER OF BEST SUSTAINABLE INVESTMENT SOLUTION 2022

PAM Private Asset Managers AWARDS 2022

CIVIL SOCIETY REVIEWS

Civil society organisations such as ShareAction, InfluenceMap and Greenpeace are increasingly scrutinising us in reviews they undertake of the asset management industry's stewardship work. These tend to be driven by particular campaigns, so need to be treated cautiously, and there is no certainty that they are themselves accurate or unbiased.

Majority Action Report

Sarasin & Partners was included in "Fulfilling the promise 2023", Majority Action's analysis of Climate Action 100+ (CA100+) signatories' voting actions in 2022.

The analysis covered 73 of the largest asset managers and those identified as leads for specific company engagements. It demonstrated how only a handful of companies used voting to back up their demands that companies align their strategies with a 1.5°C-pathway. The report noted that the majority of investors supported over 90% of directors.

Sarasin & Partners was identified as a leader in its use of proxy voting to hold directors accountable at companies that failed to meet CA100+ expectations on climate action. We were one of seven identified "Leaders" supporting substantially fewer than 60% of directors at US-listed focus companies. Please see the table below for more information.

It has long been our view that shareholders need to use the core shareholder powers at their disposal, including director and auditor appointment, to reflect their views on material ESG issues. We are pleased that this is increasingly recognised externally.

"My experience of Sarasin & Partners is that they are focused on identifying those issues which, if tackled, can fundamentally change the game when it comes to tackling climate risk. Their leadership among global investors on company accounts and audit is a perfect example: not immediately headline-grabbing and challenging to snappily condense if PR is your focus, but actually maybe the lynchpin issue when it comes to ensuring company and investor capital is allocated taking climate risk into account. Sarasin & Partners have led their peers in understanding this issue and using their voting rights to drive change."

Louise Rouse, Independent Advisor to Greenpeace

"Sarasin & Partners' approach to stewardship of companies is both more strategic and more courageous than the vast majority of fund managers we assess across the world. Not afraid to stick their head above the parapet, Sarasin achieves outsized impact on companies, driving them towards greater resilience and sustainability."

Catherine Howarth, CEO, ShareAction

TOP 10 ASSET MANAGERS WHO HOLD DIRECTORS ACCOUNTABLE ON CLIMATE AT U.S.-BASED COMPANIES

	Percentage of all directors at U.S.-based Climate Action 100+ focus companies that this investor supported	Percentage of U.S.-based focus companies at which this investor voted to elect the entire board (0% – 100%)
BNP Paribas Asset Management	22.9%	0 out of 28
Miller/Howard Investment Inc	48.1%	0 out of 2
Amundi Asset Management	52.2%	3 out of 44
Sarasin & Partners LLP	53.1%	0 out of 7
Aviva Investors	56.6%	0 out of 43
Parametric	56.8%	2 out of 44
Stance Capital	57.9%	0 out of 3

Source: Fulfilling the Promise 2023, Majority Action

Greenpeace "Falling Short" Report

In December 2022 Greenpeace published its second report where it analysed how 50 leading asset managers – who are members of CA100+ investor engagement initiative – voted at 17 CA100+ focus companies. Greenpeace's analysis focused on votes relating to auditor appointments, directors, and financial statements, given evidence that the companies being evaluated had failed to provide an accurate account of their exposures to material climate factors.

GREENPEACE "FALLING SHORT" – DECEMBER 2022

Sarasin identified as a leader

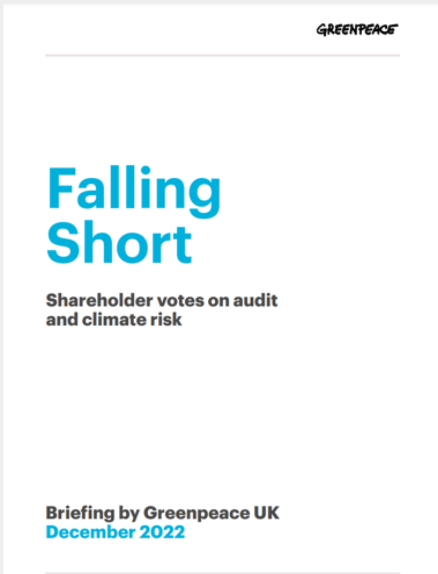
SCOPE

- 38 votes on the appointment of auditors, audit committee chairs, and financial statements
- 17 companies that leading investors warned needed to improve their climate-related accounting
- This is their second review; Sarasin & Partners was also showcased in 2021 analysis

FINDINGS

- Voting in line with CA100+ flags: Only 2 investors of 42 signatories to CA100+ (Sarasin & Rathbones)
- Only 4 investors voted against management on >20% of votes (Sarasin voted against 68%)
- Where we signed letters to companies, Sarasin followed through with voting action; others did not
- Only Sarasin included climate as a rationale for its vote

Source: Greenpeace UK, "Falling Short – shareholder votes on audit and climate risk", December 2022


GREENPEACE

Falling Short

Shareholder votes on audit and climate risk

Briefing by Greenpeace UK
December 2022

PRINCIPLE 6

CLIENT AND BENEFICIARY NEEDS

INVESTMENT APPROACH

At a high level, our aim is to deliver enduring value for our clients in a way that is aligned with a sustainable society. As highlighted in Principle 1, we take a global, long-term, thematic approach to investing, with engaged stewardship at its core. Building on this foundation, we ensure that our investment service is tailored to individual clients' requirements.

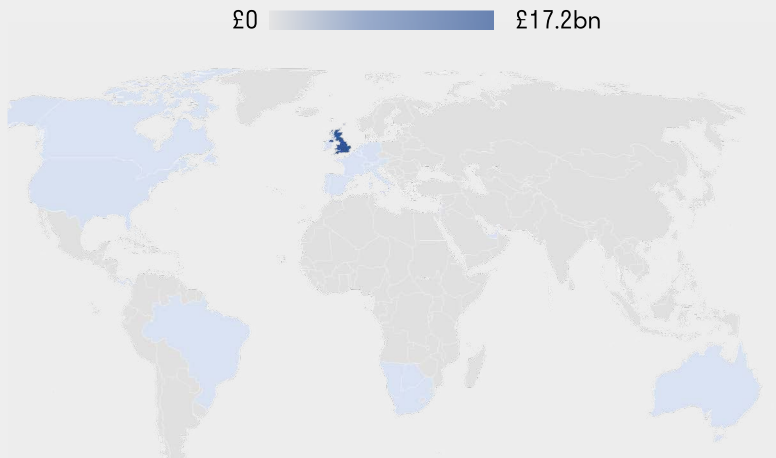
A key aspect of our service is regular client communication. This is vital to ensure our clients are fully and reliably informed of the financial performance of their assets and the stewardship activities undertaken on their behalf. It underpins their ability to hold us accountable. Regular communication also ensures that we are aware of our clients' changing requirements and can adjust their portfolios accordingly. Finally, these exchanges enrich our own understanding of issues and provide opportunities for collaboration, for instance in our company and market-wide engagements.

In this section we provide more details on our client base, how we communicate with them and seek their feedback.

CLIENT BASE

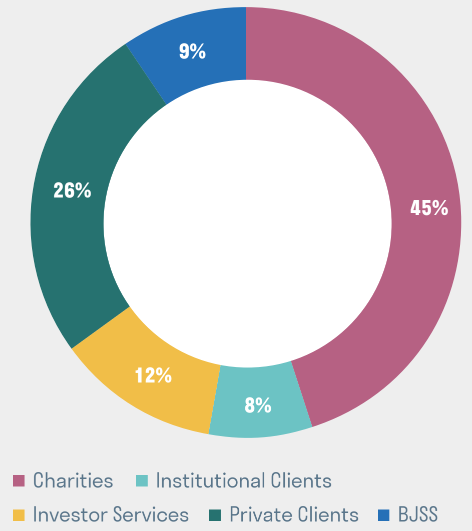
We manage assets on behalf of a broad range of institutions (most notably charities), private clients and retail investors. Whilst most of our clients are UK-based, many are located globally as shown in the chart here.

GEOGRAPHICAL DISTRIBUTION OF CLIENTS



Sarasin & Partners' total assets under management as of 31 December 2022 were **£18.3bn.**

CLIENT DISTRIBUTION AS A PROPORTION OF ASSETS



Source: Sarasin & Partners. Data as at 31.12.22

INVESTMENT SOLUTIONS, TIME HORIZON AND ASSET MIX

We offer our clients a range of investment solutions to meet their needs:

High-conviction global thematic equity

Income-focused strategies

Single and multi-asset solutions

Specialist responsible and ethical investment strategies

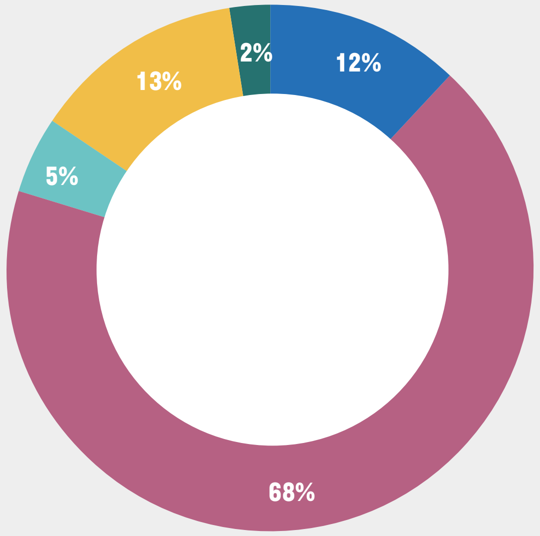
Target return strategies

All our strategies are rooted in the same philosophy of global, long-term and thematic investments, with engaged stewardship at its core and supported by bottom-up fundamentals analysis (see **Principle 7** for further detail). Consistent with our approach, we commit to deliver performance over a rolling five-year period.

The charts here provide a breakdown of our asset mix and geographical exposure.

ASSET CLASS MIX

The chart below provides a high-level breakdown of our assets under management by asset class, as at 31 December 2022.



Fixed Income, Equities, Property*, Alternative Investments**, Liquid Assets

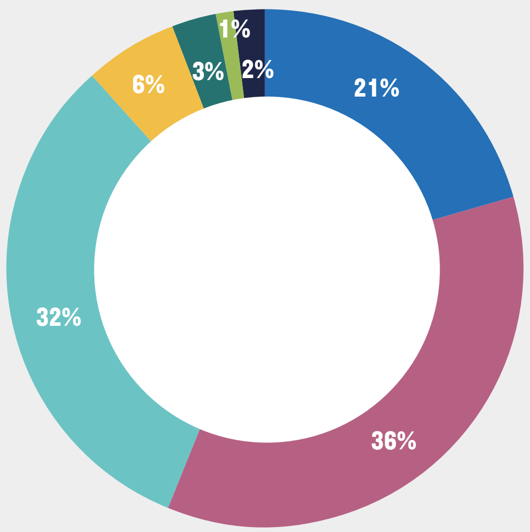
Source: Sarasin & Partners. Data as at 31.12.22

* Property equities, primarily REITs which are not included in the listed equity allocation

** Third-party funds which are primarily listed equities

GEOGRAPHICAL ASSET BREAKDOWN

The chart below provides a geographical breakdown of our assets as at 31 December 2022. As can be seen from the chart, we invest globally, with North America and the UK accounting for the largest allocations.



North America, UK, Multi Regional, Europe exc. UK, Emerging Markets, Japan, Pacific exc. Japan

Source: Sarasin & Partners. Data as at 31.12.22

A COMMITMENT TO RESPONSIBLE STEWARDSHIP UNDERPINS ALL OUR STRATEGIES

As mentioned before, our commitment to ESG integration and stewardship (as explained in **Principle 1**) is critical to all of our strategies. Some specialist strategies (such as Responsible Global Equity) place a greater emphasis on our ESG and stewardship expertise in response to client needs.

In December 2020 we became a founding signatory to the Net Zero Asset Managers Initiative (NZAM) and in February 2022 we published our Net Zero Action Plan. This enhances our commitment to setting a pathway for ensuring all of our fully discretionary assets are managed in line with the Paris Climate Agreement's 1.5°C temperature goal. By 2025 we aim to apply our Paris-alignment methodology to all our discretionary assets. It is important to stress that our approach to net-zero alignment is real-world decarbonisation, rather than portfolio decarbonisation. This means that we do not intend to decarbonise solely through the sale of high-carbon securities (though we will divest where this is consistent with capital protection for clients). Instead, we emphasise engagements with companies and policymakers to drive change in the real economy.

We also offer investment strategies that place more weight on our internal ESG ratings, climate stress testing work and/or active ownership (see **Principle 7** for further details). Examples include our Responsible Global Equity, Responsible Corporate Bond, Tomorrow's World and Climate Active strategies.

CASE STUDY: ESG AWARE – CLIMATE ACTIVE STRATEGY

Our Climate Active Strategy is a multi-asset strategy designed for charity investors. It aims to generate attractive and sustainable investment returns by investing in a way that is aligned with the Paris Climate Agreement goals of keeping temperature increases to well below 2°C, and ideally 1.5°C. The approach combines a focus on:

1. Climate-aware investing through a combination of identifying long-term climate-aligned solutions, alongside the use of in-house climate stress testing of carbon-intensive holdings, and
2. Proactive engagement with companies and the broader market to drive 1.5°C-aligned behaviours.

Our Climate Active strategy is, thus, not a fossil-free investment solution, but intends to seek out positive climate-aligned opportunities while pressing companies in harder to abate sectors to transition.

An additional feature of this strategy is offering our clients the opportunity to sign engagement letters with us. We believe this is a valuable opportunity for the underlying asset owners to add their voice to calls for change. In addition, it can prove useful for clients who wish to demonstrate to their stakeholders the active role they take in driving the climate transition. In 2022, several of our Climate Active investors signed up to letters we sent to the Big Four audit firms (PwC, EY, KPMG and Deloitte), calling on them to integrate climate risks into their audits. Further details on our engagement can be found here.

Since launching in February 2018, the strategy has reached over £1 billion of assets, via a combination of pooled and segregated mandates.

Further information on our Climate Active strategy can be found here.

ETHICAL SCREENS

We routinely apply ethical overlays according to our clients' preferences – over 70% of our charity portfolios have some form of ethical restriction, with many more of our strategies having a published exclusionary policy. Further details of our exclusionary policy can be found on our website.

COMMUNICATION WITH CLIENTS

As emphasised previously, a focus on regular, transparent and two-way communication with our clients is vital to ensuring we continue to meet their needs. It also helps our clients understand how we act as effective stewards of their capital. We pride ourselves in offering excellent client service, and this requires a high level of resource and attention.

In this section we describe:

- How we meet the strategic needs of our clients;
- How we communicate with our clients;
- How we collaborate with our clients; and
- How we seek client feedback.

HOW WE MEET THE STRATEGIC NEEDS OF OUR CLIENTS

Our innovation is driven by macro market trends and our desire to meet the needs of our clients in the best way that falls within our core capabilities. In doing this, we regularly seek advice and feedback from our clients.

Our Growth strategy offers an example of how we respond to client demand through the development of new product offerings.

CASE STUDY: CHARITY GROWTH STRATEGY

Launched in September 2021, our charity Growth Strategy was developed to meet charity client demand for a higher-return, higher-risk investment solution. The strategy was specifically designed for charities with a longer-term investment horizon (7 years +), who can tolerate short-term volatility in return for potentially higher long-term performance, and who are able to embrace a total-return approach to withdrawals (rather than a traditionally used dividend-focused income approach).

In keeping with this goal, the Growth Strategy's strategic asset allocation consists of 80% in global equities and 20% in alternatives. Similar to all our Charity Authorised Investment Funds (CAIFs)*, the strategy operates a Socially Responsible Investment Policy, whilst offering the cost and administrative efficiencies that charities seek.

Since launching the Growth Strategy in 2021, it reached £174m of assets under management as at 31 December 2022[1].

"Sarasin not only helped us to evolve our investment strategy, but created a new Charity Authorised Investment Fund, the Sarasin Growth CAIF, designed to meet our investment requirements. In hindsight, the Trust's move to this CAIF was well-timed as we avoided some of the worst falls in 2022 in both bond and commercial property which are not owned by the fund."

Clare Lake, Finance Director, Harpur Trust

* The Charity Authorised Investment Funds are designed for UK registered charities only

[1] Source: Sarasin & Partners as at 31 December 2022

CASE STUDY: ENHANCING INVESTMENT RESILIENCE – CHARITIES GOING GLOBAL

Historically, our clients invested in Charity Authorised Investment Funds (CAIFs) followed a geographical asset allocation that combined a global and separate UK allocations. In 2022, we had several discussions with clients on the benefits of transitioning to a fully global benchmark. We believe diversifying into global equities is rooted in the broader investment opportunity set that charities can benefit from, alongside greater diversification and reduced concentration risk. This move will see our neutral Sterling weight for medium-term and long-term investors reduce from 60% to 40%.

It is important to note that that moving to a fully global benchmark does not mean avoiding UK companies. It just means that when we allocate to UK-listed companies, it will be because they have achieved their place in the portfolio on merit alone, rather than a required geographical allocation.

HOW WE COMMUNICATE WITH OUR CLIENTS

Reporting

Client reporting is provided on a quarterly basis, sent electronically wherever possible and since 2022, accessible via our new web-based client portal (see case study below).

These reports include an overview of performance, attribution analysis and details of underlying securities held, including their ESG profiles based on our internal analysis. Clients who invest in Sarasin & Partners' pooled funds have full visibility of underlying securities via our look-through tool.

With regards to our stewardship work, voting records are included, alongside a summary of progress with key engagements and policy initiatives.

Client meetings

In addition to our quarterly performance reports, we aim to meet with clients at least once a year to present the latest investment report, together with the outlook for the period ahead. We routinely have conversations with clients between formal reporting periods where questions arise.

We host Charity Forum lunches once a month for prospective and current clients. These are an opportunity to discuss topical issues facing the charity sector, as well as ESG and stewardship mattersand we gain feedback on how best to improve our investment offering.

Client education

We routinely host seminars, such as our annual Spring Seminars, our autumn event for Private Clients, our Charity Autumn Seminar for holders of our charity funds, as well as training events throughout the year. We publish our House Report every quarter, which include articles on key themes or stewardship matters that we are working on.

We have published a Compendium of Investment for over 20 years. This forms the basis for our trustee training programme, through which we have trained over 5,000 trustees since 2002. The Compendium is updated every other year. The latest update was in 2022.

In 2022, our client education in relation to ESG and stewardship topics included comments on the introduction of our new sub-theme, the 'high-carbon transition'. We explained how we intend to seek out leaders in hard to abate industries via this sub-theme. Through our role as supportive and engaged shareholders, we aim to deliver the maximum impact from carbon reductions alongside long-term financial returns for our clients.

Our quarterly published House Report

Sent to c. **5,700** clients via email (via House Report emails and various email newsletters)

989 impressions* on LinkedIn

187 impressions* on Twitter

278 website views (26 Oct - 20 March 2023)

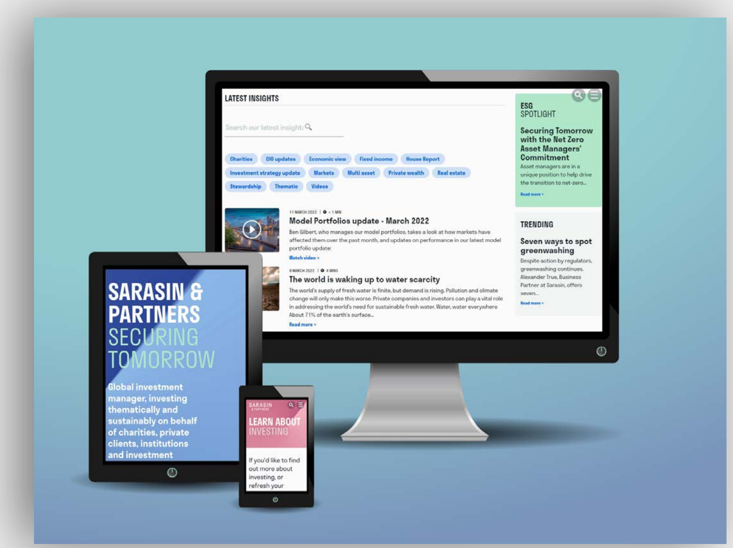
*Impressions = how many times this content was seen.

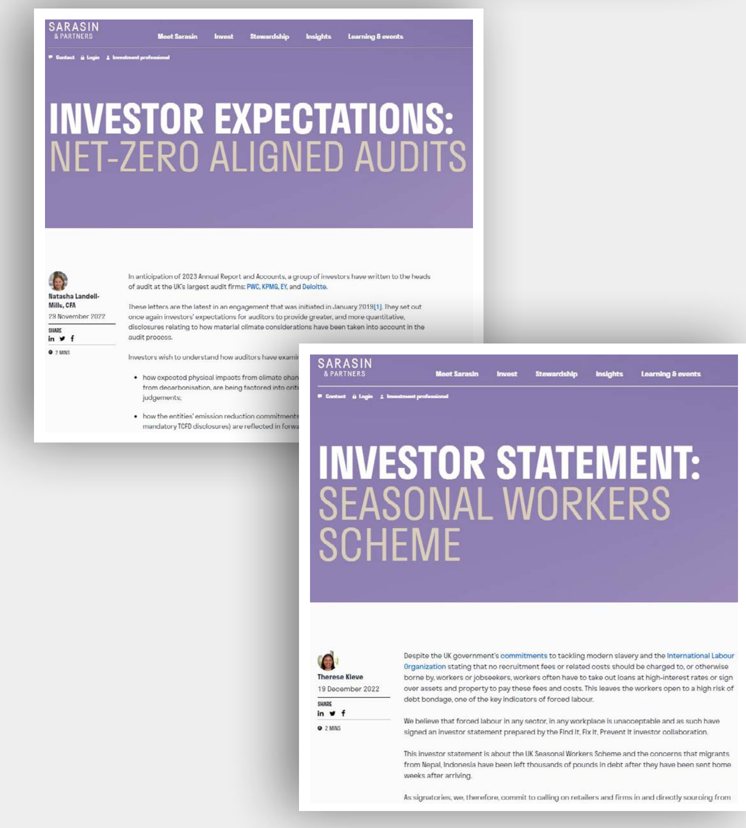
Website

Our website enables us to produce interactive and timely information flows to clients on our ESG and stewardship work. Alongside our key stewardship policies, we publish our voting data quarterly, in addition to key company and market outreach work.

In 2022, highlights from our website included: pre-declared voting for target companies associated with our net-zero outreach, letters led by Sarasin & Partners to the Big Four audit firms on net-zero alignment, statement on concerns over the UK Endorsement Board due to conflicts of interest, Sarasin & Partners' Net Zero Voting Policy, and the statement we made on seasonal workers rights. Further information on our market outreach can be found under **Principle 4.**

On our website, YouTube, Twitter and LinkedIn channels we publish insights on thematic investing, macroeconomic commentary, updates on our stewardship work and learning opportunities.





CASE STUDY: NEW SARASIN CLIENT PORTAL

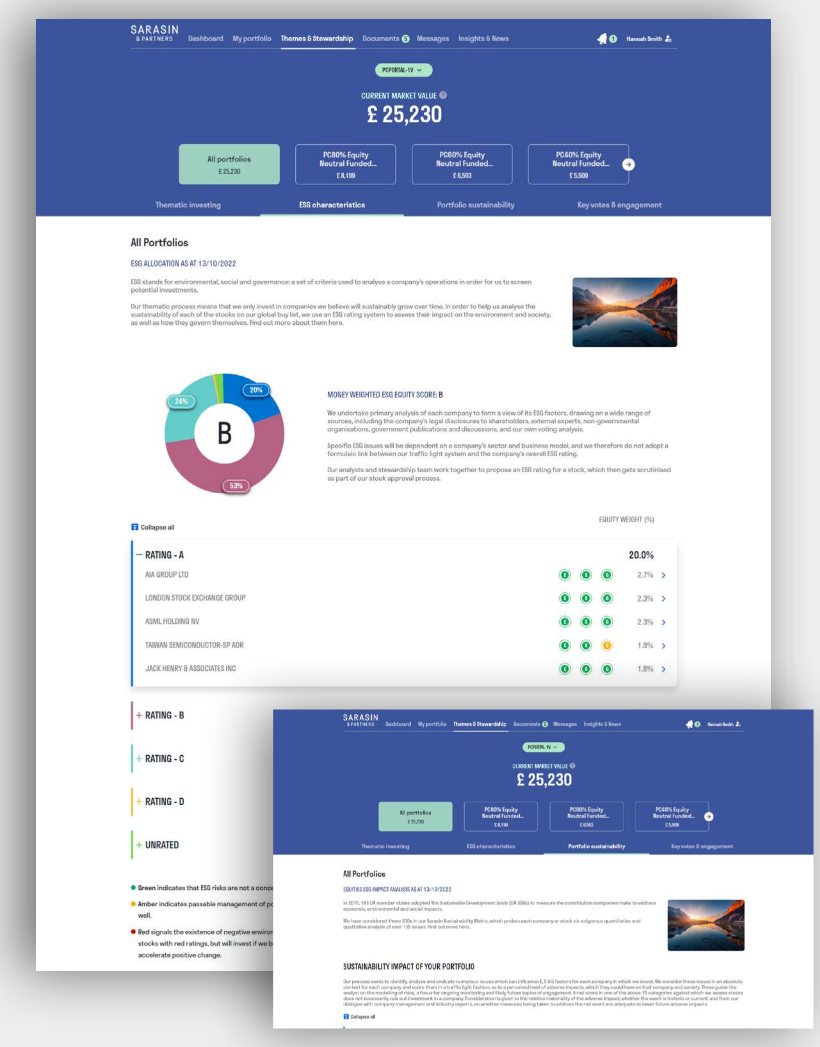
In February 2022 we launched an interactive online reporting service for our clients to ensure even greater visibility and easy access to important aspects of their portfolios whenever they wish. Its key features include:

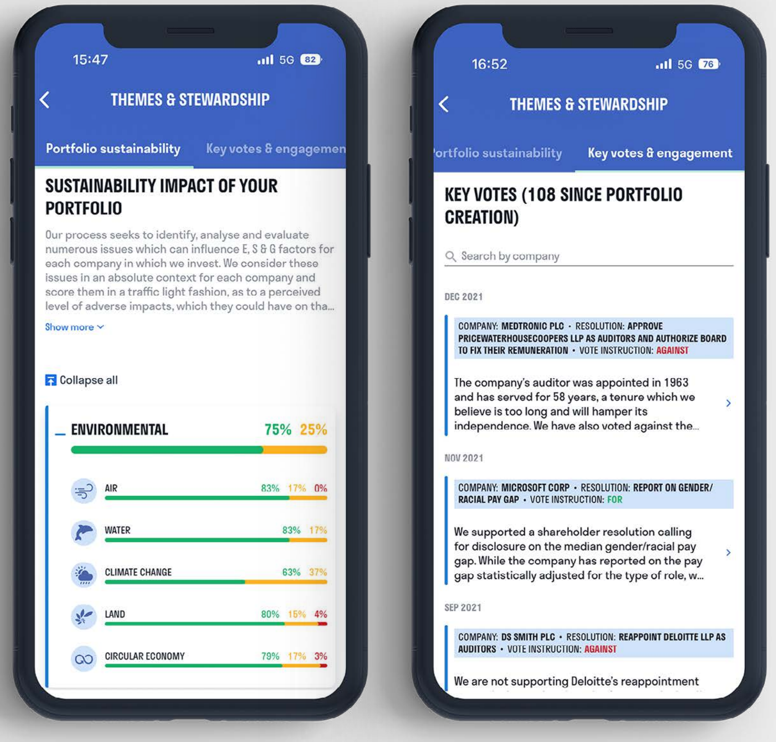
- Customised access to information;
- Full optimisation for mobile access;
- Interactive performance reporting, including portfolio-related ESG data, voting and engagement highlights; and
- Customised overviews of clients (for professional advisers).

As of December 2022, the portal has over 2,800 users and we have averaged over 100 unique users per day. Clients have the ability to view all holdings, performance and transaction information since the creation of their portfolio (in fact, the ability to view all this information since inception of the portfolio is unique in the industry). In addition, clients can personalise their home page, which allows for easy navigation to the most pertinent information for each individual. The portal is available on desktop and mobile via the Apple and Google Play stores.

We have established an Insights & News section which allows us to send articles and videos directly to our clients, including thought leadership and insights into current issues.

In November 2022 we launched the new Themes & Stewardship functionality in the client portal which provides a look-through into the ESG profile of a client's portfolio, key engagements and votes.





LinkedIn/Twitter

We have enhanced our social media presence via LinkedIn and Twitter, and undertaken staff training to enable an increased flow of information for our clients and other interested stakeholders. We have had a growing interest in our stewardship work, including, for instance, the release of our engagement letters and statements calling for Paris-aligned accounting and audit (see page 47 under Case Study – Climate Active).

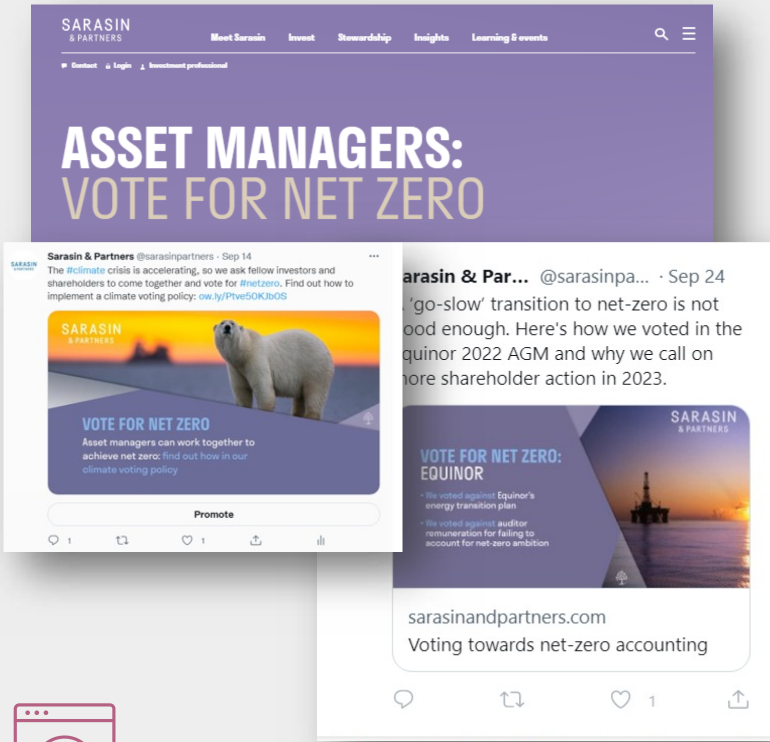
Net Zero Voting Policy – Twitter campaign

- Twitter campaign to highlight climate voting policy
- Targeting journalists, influencers, charities, institutions, advisers
- Campaign featured three case studies (CRH, JP Morgan and Rio Tinto) to show our policy in action

28,510
Twitter followers

11,872
LinkedIn followers

10%
increase on the previous year



57,711
impressions

11,000
link clicks to website

160
policy downloads

HOW WE COLLABORATE WITH OUR CLIENTS

In 2022, we continued to encourage our clients to engage with our stewardship process. Through our new client portal, clients have the ability to sign up to our open letters – such as letters to auditors, regulators and companies – and have the opportunity to get more involved with our engagement work. In 2022, we saw good interaction with our letters to the Big Four audit firms:

- 5.13% of our clients engaged with this content
- 2,243 impressions

These are the latest letters in our long-standing engagement (since Jan 2019) with the audit firms. They outline investors' ongoing expectations for greater and more quantitative disclosures relating to the incorporation of climate considerations in their audits (please see **Principle 4** for more detail).

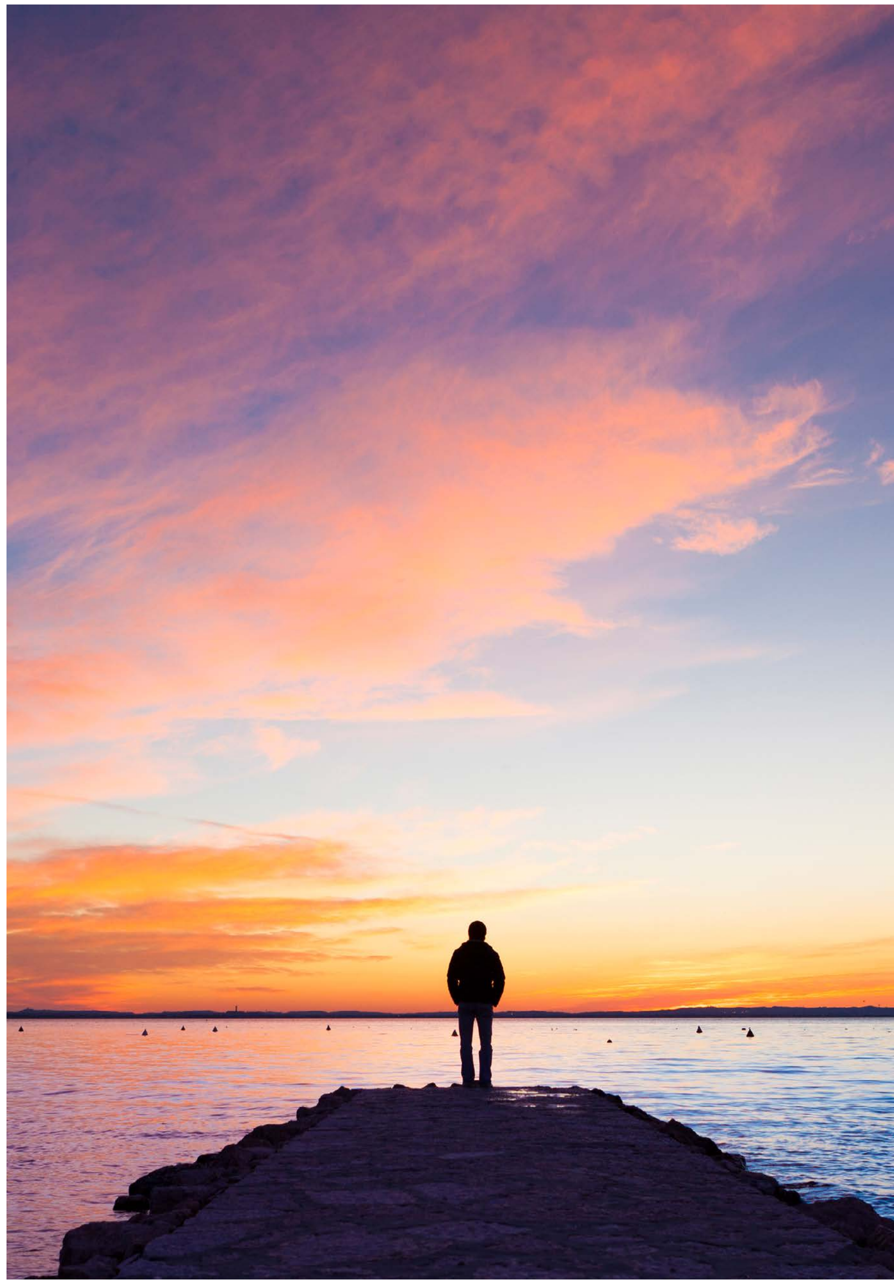
HOW WE SEEK CLIENT FEEDBACK

Client satisfaction is a high priority for us. We regularly seek feedback from our clients, starting with the Request for Proposal, followed by our onboarding process and then through regular one-on-one dialogues and broader client gatherings. We also solicit feedback through structured client surveys and feedback forms at events and training sessions. Surveys provide valuable lessons on what we are doing well, and areas for improvement. They also allow us to better understand which aspects of our stewardship work our clients are most interested in.

For example, in recent years we have undertaken surveys that have demonstrated a shift from negative screening towards a more nuanced evaluation of ESG factors. In addition to this, there is a broader argument as to whether certain negative screens remain appropriate as ethics and morals shift.

In 2022 we established a quarterly internal meeting to discuss clients' feedback as a team so that we can continue to improve. We discussed a range of feedback from our clients and a consistent theme was to ensure that our presentations were clear and concise. This resulted in refining our presentation packs to focus on key messages. As such, we were successful in growing our client assets and continue to leverage feedback to enhance our offering.

All these processes serve as the quality assurance of our work and are designed to reinforce alignment between our strategy and the strategies of our clients.



WHAT'S NEXT?

In 2023, we will integrate the engagement statistics from our internal Engagement Reporting Tool to the Client Portal (see **Principle 2** for further information on our Engagement Tracker).

In the second quarter of 2023 we will go live with a two-way messaging functionality, which will also include the ability to upload documents. The portal has a built-in multi-factor authentication which provides a secure way to exchange information with clients.

Over the next year, we will see a suitability function introduced, which will enable clients to inform us of changes to their investment objectives and/or circumstances in a flexible and streamlined manner. Moreover, we will able to respond in a more agile way. This will improve the playback of a client's suitability assessment, giving Sarasin & Partners informative and up-to-date information on our client base.

PRINCIPLE 7

STEWARDSHIP, INVESTMENT AND ESG INTEGRATION

We look through business cycles to focus on positive societal trends that we expect to endure for decades.

As we outlined in Principle 1, responsible stewardship is not just a core value for Sarasin & Partners, but it is also fundamental to our investment offering. Our approach is long-term and global. We look through business cycles to focus on positive societal trends that we expect to endure for decades. For most strategies, we commit to delivering financial performance on a rolling five-year basis. There are three core pillars to our approach:

1. A global thematic investment process focused on long-term value drivers;
2. Active ownership to drive more sustainable company behaviour, which thereby underpins long-term investor returns; and
3. Thought leadership and policy outreach to drive positive market-wide change.

In this section, we focus on pillar 1: our approach to selecting securities in which to deploy client capital. We start with our equity investment process, then turn to fixed income and alternatives. Pillar 2 is outlined in **Principles 9-12** and while we discuss pillar 3 in **Principle 4**. It should be stressed that we view these three pillars as symbiotic and mutually reinforcing, giving us insights that a simplistic bottom-up fundamental analysis would miss.

EQUITIES

ESG considerations are embedded in all three stages of the investment process: from idea generation – which evaluates long-term thematic trends (such as ageing or climate change – see the box on the Sarasin equity thematic investment process) – through stock selection – which incorporates bottom-up ESG and climate impact analysis – to portfolio construction.

SARASIN EQUITY THEMATIC INVESTMENT PROCESS

IDEA GENERATION

Using a thematic framework to uncover attractive investment ideas with the potential for growth within sustainable thematic trends

- Global mega-themes
- Investable sub-trends
- Niche industries

Thematic universe (~ 600 stocks)

STOCK SELECTION

- Robust stock selection process
- Fundamental bottom-up analysis
- Deeply integrated ESG
  - Owned by stock analysts
  - Supported by specialists

Global Buy List (~ 100 stocks)

PORTFOLIO CONSTRUCTION

- Purely bottom-up, no regional or industry calls
- High-conviction portfolios

SARASIN GLOBAL EQUITY PORTFOLIO (35-50 stocks)

IDEA GENERATION: OUR MEGA-THEMES

The first step in our process is idea generation. We look for opportunities in areas where we anticipate long-term, durable growth, underpinned by what we describe as mega-themes.

We believe these mega-themes will endure because they are aligned with a sustainable society. We wish to invest in a way that supports improvements in societal welfare over the long term.

CASE STUDY: NEW SUB-THEME INTRODUCED

In 2022, we updated our Climate Change mega-theme to include a new sub-theme: the high-carbon transition. This sub-theme is an important step in fulfilling our commitment to the Net Zero Asset Management (NZAM) initiative. Through this, we work to drive decarbonisation in the real economy, as opposed to focusing solely on divestment from high-carbon holdings. We look for companies in harder to abate sectors that have the potential to show leadership in moving to a 1.5°C-pathway.

We seek opportunities in three broad categories:

- Tier 1: High-carbon creators and users in transition;
- Tier 2: Producers and suppliers of devices, processes and services enabling Tier 1 companies to transition; and
- Tier 3: Suppliers of base materials used in Tiers 1 and 2.

SARASIN THEMATIC FRAMEWORK

INVESTMENT THEMES LEADING TO COMPANIES WITH SUSTAINABLE LONG-TERM BUSINESSES

DIGITALISATION
Analytics
Cloud
Digital media
Digital commerce
Connectivity
Processing

AUTOMATION
Factory, robotics & AI
Supply chain
Food chain technology
Test & verify
Nascent adopters

AGEING
Genomic revolution
Future human
Value-based care
Pandemic fragility
Funding the 100-year life
Fulfilment

EVOLVING CONSUMPTION
Diet & nutrition
Active lifestyle
Emerging consumer
Experience economy
Aspirational consumer

CLIMATE CHANGE
Environmental resources
Infrastructure and buildings
Low-carbon power
Resource efficiency
Low-carbon transport
High-carbon transition

Sarasin & Partners' long track record in active ownership is key in this sub-theme. Success requires careful analysis relating to the key asks to put in front of boards, a strong understanding of the governance arrangements, thoughtful voting to ensure director accountability and a willingness to be public. See **Principle 12** for more on our Net Zero Voting Policy and our pre-declared climate votes.

STOCK SELECTION

Once we have identified attractive ideas under our mega-themes, we undertake detailed bottom-up analysis. ESG is a central part of this.

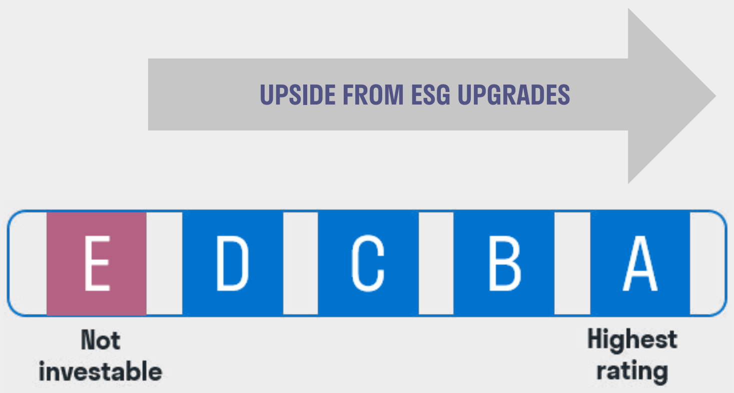
The key components of our ESG analysis are:

1. Sustainability Impact Matrix (SIM). We undertake a comprehensive analysis into 15 E, S and G measures. Over 160 data points and criteria are considered in this assessment. This is an absolute analysis, rather than relative to peers in an industry. Each measure is given a red, amber or green assessment to reflect the severity of the impact on the environment, people and governance.
2. ESG Pillar Assessments: based on the assessments of the 15 measures, we draw out an overall traffic light for E, S and G pillars, representing how financially material the adverse impact is expected to be.
3. Overall ESG rating: an overall ESG rating of A to E with optional momentum indicators (+/-) translates the E, S and G traffic lights into a rating that reflects the overall financial materiality of ESG measures for the entity concerned. In essence, it captures the extent to which we expect harmful external impacts to be internalised. An "A" rating points to ESG as a positive tailwind for the investment case; "E" is un-investable due to ESG risks, and the security would be taken off our internal buy list. The ESG rating, whether suggesting a headwind or tailwind, is then reflected in the valuation model.

SUSTAINABILITY IMPACT MATRIX (SIM)

IDENTIFIES POTENTIAL OPPORTUNITIES, AS WELL AS ADVERSE IMPACTS FOR THE ENVIRONMENT, SOCIETY AND INVESTORS

OVERALL ESG RATING



INDICATES TO WHAT EXTENT ESG IMPACTS INVESTMENT CASE AND VALUATION

The key change to the above process in 2022 was to map the required Principal Adverse Impacts (a key element of the EU Sustainable Finance Disclosure Regulation, SFDR) onto the relevant measures in our SIM.

A TEAM-BASED APPROACH TO DETERMINE THE ESG RATING

The lead analyst on a company, working within the equity team alongside a stewardship expert, will propose the ESG rating as part of the initial stock analysis. The investment team scrutinises the ratings through our stock approval process at the weekly team meeting, which includes the stewardship team. In the event of diverging views, the stewardship lead makes the final decision. The analyst will own the ESG rating with oversight from the Head of Equity Research.

Materiality is modelled based on an understanding of the economics, not rigid rules. Specific ESG issues will be more or less material depending on a company, its sector and business model – we do not adopt a formulaic link between the ESG pillar assessment and overall ESG rating. Instead, the stock initiation note illustrates how our assessment of material ESG issues (presented in the form of a proposed SIM) has informed our view of a company's prospects.

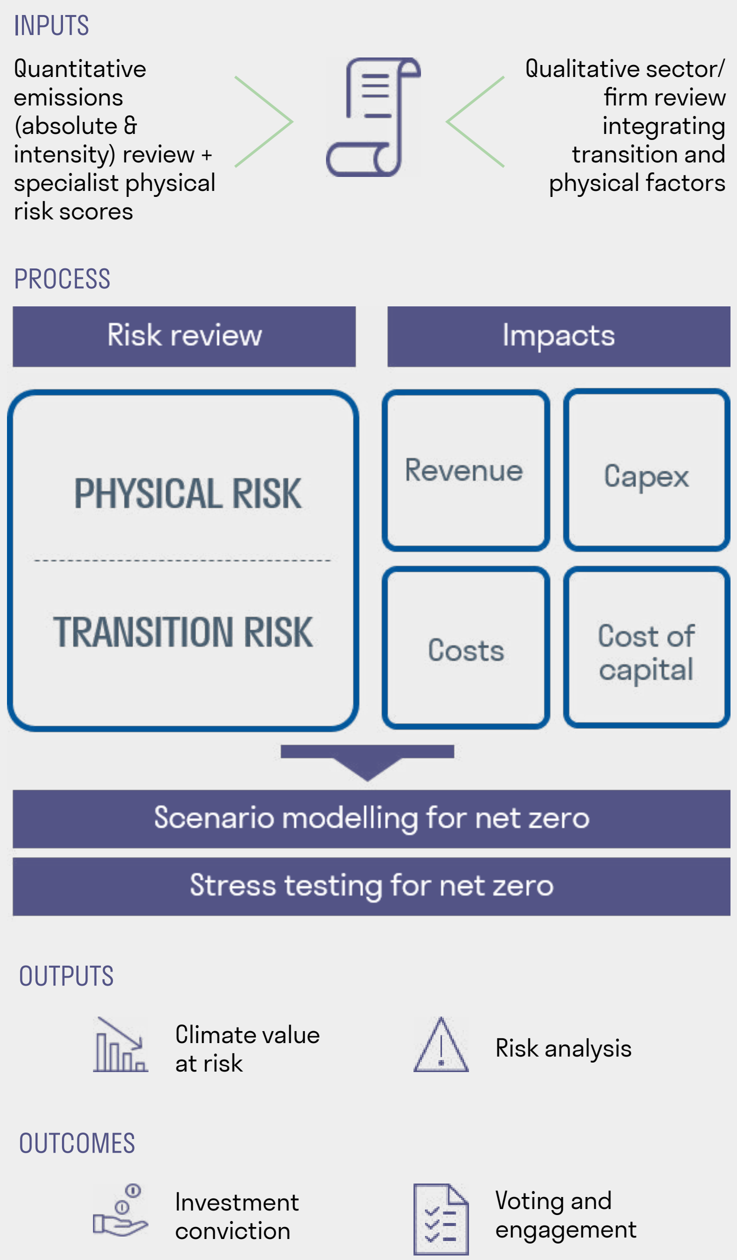
A key aspect of this work is that it ensures the ESG data is evaluated by analysts that have a detailed understanding of the company, its industry and business model. We believe this results in a more reliable assessment of materiality of the ESG factors. The low correlation between our ESG ratings and that of external ESG rating companies, such as MSCI or Sustainalytics, provides evidence that our approach is differentiated.

We undertake primary analysis to form a view of ESG measures, drawing on a wide range of information sources, including the company's legal disclosures to shareholders (e.g. annual report and accounts, 10-K reports in the US), external experts, non-governmental organisations, government publications and discussions, as well as our own engagement and voting analysis. In 2022 we integrated more ESG data sourced from various providers to enhance the rigour of our analysis, as well as regulatory oversight of ESG issues.

More information on our analytical resources and providers is given in **Principles 2** and **8**.

CASE STUDY: CLIMATE STRESS TESTING

Over the course of 2022, we updated our climate stress testing across a range of sectors and firms, including (but not limited to) natural resources, industrials and financials. This analysis aims to reduce exposure to transition and physical risks in our clients' portfolios. It complements our effort to increase exposure to thematic opportunities and climate solutions as highlighted above in our description of our Climate Change mega-theme.



INTEGRATION INTO INVESTMENT THESIS & VALUATION

Where the ESG analysis identifies material implications for a company's prospects, this is explicitly reflected in the analysts' investment thesis, their models and valuations. This analysis will depend on the specific company, with analysts using their expertise to determine how the economics of the business will be impacted. For instance, the analyst will determine whether the specific issue will alter top-line growth, margins/costs, capital expenditure levels or general risk best captured through an adjustment to the discount rate (cost of capital).

In addition to the above adjustments, in line with our NZAM Action Plan, we continued to roll out climate stress testing for our high-risk holdings to help us get a better understanding of the materiality of this factor (see the case study on climate stress testing on the previous page).

STOCK APPROVAL INCLUDES ESG AND STEWARDSHIP EXPERTS

The initial stock note, including the proposed SIM, is presented to the team, including stewardship experts. The team votes on whether to move to the next stage, which involves deeper due diligence, guided by team questions. A pre-mortem is also undertaken to identify potential weaknesses in the investment thesis for debate. The process ends with a full note, including more detailed analysis and valuation, which is presented to the team and a final vote is then taken for entry on the global buy list.

PURCHASE AND PORTFOLIO CONSTRUCTION

Once a stock is placed on the buy list, it can be purchased as guided by the analyst's stock rating. Portfolio managers are responsible for determining the timing and the position.

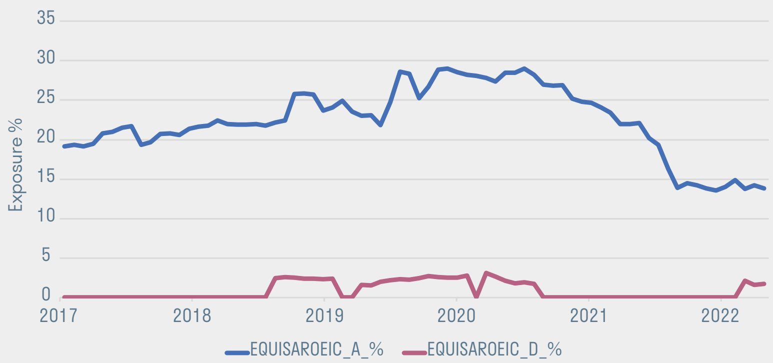
ESG integration is a key part of all our funds and strategies. However, in some strategies we may place greater weight on the ESG analysis, in response to client requirements. Examples of this include our Responsible Thematic, Climate Active and Tomorrow's World strategies. We provided a case study on Climate Active under **Principle 6**. For further information on these strategies please refer to our website.

Separate to our ESG integration work, we also manage ethical screens for particular clients where required. This process is to identify exposures to any of our 13 ethical considerations.

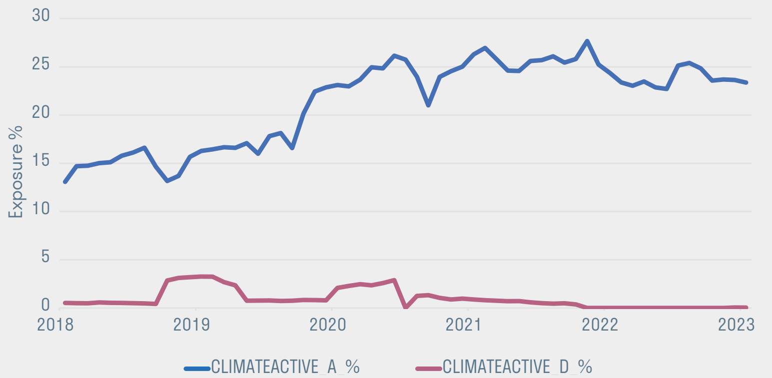
Just as we are sector and geography agnostic in building our portfolios, we do not alter our broad approach to ESG analysis for different geographies or sectors. Our goal is to assess the absolute risk to capital, rather than look for relatively better-positioned companies within a benchmark.

PERCENTAGES OF A- AND D-RATED STOCKS

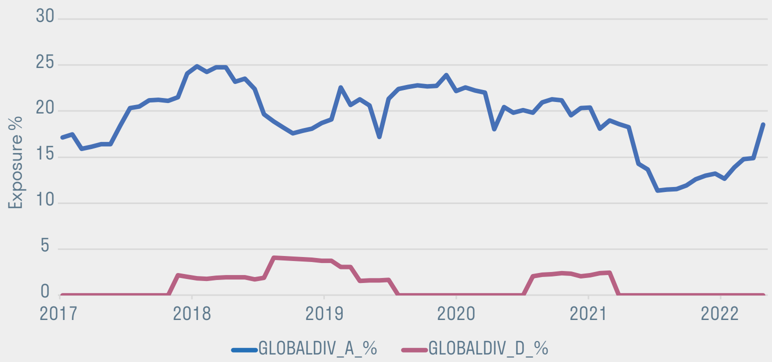
THEMATIC GLOBAL STRATEGY



CLIMATE ACTIVE STRATEGY



GLOBAL DIVIDEND STRATEGY



Source: Sarasin & Partners, 28.02.23

This means that in certain markets, such as many emerging markets, we may see worse ESG scores for factors that are more commonly weak. We do not adjust these ESG scores upwards to 'level the playing field', as this would dilute the value of the analysis – namely to bring out real investment risk.

Similarly, we often see companies in certain industries or sectors that perform worse on particular ESG factors, which raises our awareness of investment risks for those industries. Transition risks linked to climate change, for example, are higher in more carbon-intensive industries, leading to worse climate change ratings.

The result of the above is that, at a portfolio level, we will tend to have fewer stocks in regions or sectors with higher ESG risks. This is a proof point for us that ESG is meaningfully integrated into our investment process. As shown in the charts on the previous page, in 2022 the higher-rated ESG stocks have a greater weighting in our core funds than the worst-rated ESG stocks. Viewed though the sector and geographic lens, we hold fewer emerging market and energy stocks versus the market benchmark.

In terms of updates to our ESG analysis, this occurs at least annually in line with the stock review process. Where we are made aware of changes to ESG characteristics at individual companies, the SIM will be updated immediately.

EVIDENCE OF HOW OUR ESG ANALYSIS IMPACTS INVESTMENT DECISIONS

Our ESG analysis, our stewardship work and its results directly and demonstrably impact our stock purchases, sales and, ultimately, client outcomes.

In **Principle 5** we provided detail from a preliminary analysis of the relationship between our ESG assessments and stock performance. We have found a strong positive correlation. Not only have our A-rated ESG companies tended to outperform our D-rated stocks, but we have found evidence that decisions to sell companies' securities where ESG is a contributory factor, as well as decisions not to buy other securities, have contributed to protecting and enhancing our clients' capital. While these results are reassuring that our ESG process adds value, there are a number of statistical limitations to this analysis, and thus we treat the result with caution.

To provide evidence that our ESG work is impacting our investment decisions, we increasingly track metrics for different points in our process. This ranges from the follow-through of an ESG rating change to a security rating change, through to an investment decision (reduce, increase, buy, or sell). As a simple illustration: in the past five years, 25 out of 52 stocks that failed our process did so due to an ESG issue. Likewise, in the past two years we have exited five positions across our five flagship global equity strategies following an ESG downgrade. See a case study of NextEra in **Principle 11**.

On the opportunity side, it is worth stressing that the vast majority of our equity holdings have significant social or environmental tailwinds. This results from the fact that our thematic process seeks to align with societal trends to deliver sustainable long-term growth. For instance, all the stocks within our Climate Change theme have strong climate-related tailwinds. These account for 14% of our global equity buy list as of December 31, 2022. Likewise, companies in our Ageing theme are seeking to deliver goods and services that improve livelihoods in old age. These account for a further 16% of our buy list at the end of 2022.

FIXED INCOME

Our approach to ESG integration for fixed income combines top-down screening and thematic tilts with bottom-up ESG analysis. The process differs from the equity process in certain respects, due to differences between the asset classes and the larger number of securities covered.

ETHICAL SCREENING

Negative screens typically exclude the following sectors: tobacco, alcohol, armaments, pornography, tar sands, fossil fuel extraction, gambling and predatory lending. There are also areas where we do not have mandatory screens but may screen out issuers at our discretion, due to exposure, for example, to plastics or palm oil (typically in the consumer sector).

A THEMATIC APPROACH

Within fixed income, we have a strong preference for lending to entities whose activities contribute to sustainable growth and/or generate positive externalities. We combine our thematic investment approach with substantial fundamental credit risk analysis to identify target assets in eight categories, as detailed in the graphic.

We also have structural limitations for sectors in decline or those that confer higher ESG risk. These include oil & gas, mining, automotive and industrial sectors. Given our focus on securities that can contribute to sustainable growth, this leads to overweight allocations in our portfolios, versus the benchmark, to sectors such as renewable energy infrastructure, housing associations, education, public transport and the not-for-profit sector.

BOTTOM-UP ESG CREDIT RATINGS

We have developed a proprietary ESG scoring system for fixed income issuers. It uses a materiality map for sector risk weights and issuer-reported data points to determine E, S and G scores for each issuer. This enables us to identify the issuers with the best data metrics, while helping us to determine relative value/risks for investment decisions. Thanks to the data collection, we can engage with issuers on how our investments can further promote sustainable growth and/or generate further positive externalities.

CALCULATING AN ESG CREDIT RATING

We use a seven-step process to calculate ESG credit ratings for the issuers in our universe. We only own securities from issuers rated as ESG investment grade (BBB or above).

The process includes:

1. **Creating a materiality map** to assess ESG exposure in each industry sector. For each sector we assign a risk score from 1 (low risk) to 3 (high risk) for each of the 15 measures in the SIM (see our earlier description of our SIM).
2. **Determining sector weightings.** The risk scores allow us then to determine the relative weightings given to E, S and G for each sector. For example, transport will have a higher weighting on E, universities on S, banks on G, and so on.
3. **Setting issuer score ranges to reflect sector weightings.** With the sector weightings, we are able to determine the guidance range for the issuer scores between 0-10. For example, issuers in the energy sector, which has a high E risk, might not be able to achieve an E score outside the range 0-4. Conversely, supranationals, having a low G risk, might have a guidance range of 8-10 for their G scores.
4. **Collecting security-level ESG performance data.** We generate raw scores for E, S and G for all the issuers in our coverage universe using data from Bloomberg. Where Bloomberg data is not available for an issuer, we undertake internal analysis. Data gaps tend to occur for some private issuers we have selected due to their social or environmental benefits (see our earlier description of our thematic approach to fixed income investment). Consequently, ESG concerns are often less material in these cases.
5. **Manual review.** Analysts review the system-generated E, S and G scores for each issuer to ensure they are appropriate. They are able to adjust the scores by a maximum of +/- 2 notches (minimum step in rating change). In cases where there is overlap with the equity analysis, scores are cross-referenced for consistency.
6. **Overall ESG score.** We calculate the overall ESG numerical score by taking the weighted average of the E, S and G scores.
7. **Convert to letter rating.** We then convert numerical scores (1-10 scale) to an "ESG credit rating" (AAA-CCC) below.

UPDATES IN 2022

We:

- Developed a high-level framework for climate stress testing our higher-carbon issuers in line with our NZAM commitment;
- Reviewed the fixed income ESG process, updated the materiality map and made changes to security level SIMs to be more in line with equities; and
- Made further progress on SIM coverage for each credit, reaching close to 100% coverage by 31 December 2022.

ESG CREDIT RATINGS

AVERAGE ESG FACTOR SCORE	INDICATED ESG RATING
8.5 to 10	AAA
7 to 8.5	AA
5 to 7	A
3 to 5	BBB
2 to 3	BB
1 to 2	B
0 to 1	CCC

Source: Sarasin & Partners, 31 December, 2022

See an example of such ESG credit analysis of bank Credit Suisse in **Principle 5**.

ALTERNATIVES

We invest in alternative assets through closed-end fund vehicles (primarily London Stock Exchange (LSE) listed) that invest in private equity, renewable energy, infrastructure and real estate assets.

ESG INTEGRATION

Just as we integrate ESG into our equity and fixed income investment processes, an assessment of target funds' ESG and stewardship performance is an integral part of the due diligence process. Alongside a detailed evaluation of the investee vehicle's own governance structures, we seek confirmation that investees integrate ESG measures in their investment process, including climate risk. When we have concerns, we engage with the investment manager of the relevant third-party vehicle.

Boards of the LSE-listed investment companies generally enter into Investment Management Agreements with investment advisers to run the day-to-day execution of the strategy. As the investment adviser is a separate entity and exercises discretion over the management of the investment – and there are several investments with different profiles – the analysis of ESG characteristics in this structure is even more complicated than in the typical corporate structures. We ask for evidence that this integration is meaningful and thus impacts investment decision-making. We challenge the boards on this. We also seek vehicles that take seriously their stewardship responsibilities, with evidence that they will proactively engage with underlying investments where concerns arise.

ETHICAL SCREENING

As for equities and fixed income, negative screening is in place for a range of harmful activities such as weapons production, alcohol, tobacco, gambling and thermal coal. Our ethical restrictions, materially reduce our uncorrelated (absolute return) universe, excluding a large proportion of equity long/short and event-driven funds.

INTERACTION BETWEEN ESG INTEGRATION AND ACTIVE OWNERSHIP

As noted in the introduction to this Principle, this discussion has focused on just one pillar of our broader stewardship approach: ESG integration. We discuss pillar two (Active Ownership) in **Principles 9-12**, while pillar three (our Market Outreach work) is detailed in **Principle 4**. It is worth underlining that these three pillars are not separate. They regularly interact with each other, thereby improving the quality of our analysis and the impacts that we have.

By way of example, where we have identified areas of concern in our SIM analysis, we flag them for engagement once the stock is bought. Where we find amber or red issues, we will normally write to the board of the company to raise these issues. These are issues which may also influence our voting at shareholder meetings.

Similarly, our engagement work is intended to have an impact, and thereby lead to improvements in our SIM and help underpin investment conviction. For example, in the case of Siemens AG, thanks to engagements, we have become more comfortable with regard to the changes made since previous bribery & corruption issues had been registered. We now understand the board process better and we have engaged to improve the board's gender balance. This had an impact on the SIM assessment: in early 2023 we upgraded the 'S' score from amber to green and the overall ESG score from C to B. In turn, the weighted average cost of capital was reduced and the fair value increased.

Similarly, we upgraded Air Liquide and reviewed its fair value following successful engagement and revised strategy, which puts decarbonisation at its heart.

See details of these engagements in **Principles 9** and **10**.

PRINCIPLE 8

MONITORING MANAGERS AND SERVICE PROVIDERS

Sarasin & Partners selects our ESG and stewardship service providers via a competitive process, where criteria include the robustness of their analytical methodology that would facilitate our ESG integration. They are then evaluated through a formal half-yearly feedback process, as well as continuous monitoring.

RESEARCH PROVIDERS

MiFID II regulations require asset managers to evaluate research providers. Sarasin & Partners considers ESG services and data to be inputs into the investment process, and, as such, providers are subject to the same qualitative and quantitative review alongside other investment research providers.

We draw upon multiple specialist ESG providers that include: MSCI ESG research, ISS proxy analysis, HOLT, Proxy Insight, 427 as well as our network of expert sources and services. In terms of more conventional financial analysts and brokers, over the last few years we have shifted towards those who are developing more sophisticated ESG data and analysis. These include Jefferies, Berenberg and Bernstein.

Quality is assessed and verified at the point of use. Department-wide surveys are carried out every six months to assess the value of each counterparty to each team member. The results of these surveys are combined with usage data to make an informed judgement on the value of each provider.

In instances where we see a disconnect, we can communicate either a need to improve performance or terminate the agreement. In 2022 we terminated two counterparty agreements and adjusted the contract terms of several others to better align them with our assessment of value.

We have engaged with such entities on many occasions to enhance their messaging and encourage additional research.

Examples include efforts to ensure that ISS, our third-party proxy voting service, improves its analysis of auditors' performance and independence, as well as tax transparency and human rights performance.

OUTSOURCED SERVICES

For outsourced services, Sarasin & Partners retains responsibility for those functions and takes a different approach to monitoring, with a focus on contingency planning and business continuity. The risk to the business is assessed, including reputational risk and perceived risk of failure. Monitoring of business-critical outsourced services includes compliance with contract requirements, adequacy of business continuity and disaster recovery plans (including any exit strategy).

We updated our internal supplier engagement policy in 2022 which requires all new suppliers to have an initial ESG due diligence done by the relevant internal relationship manager. This due diligence aims to ensure that the suppliers follow responsible business practices and includes consideration given to anti-modern slavery, environmental concerns and commitments and diversity & inclusion.

In 2022, we started to roll out net zero alignment due diligence, starting with our larger suppliers.

Our oversight includes a periodic review of the services quality and effectiveness.

CASE STUDY: QUALITY OVERSIGHT

During 2022 we identified that one of our ESG research providers failed to meet our expectations for the quality of analysis. Following an internal review, we instituted a system to monitor performance more closely, which eventually resulted in the service provider assigning us a more engaged team and improving resource availability.

NETWORKS AND INITIATIVES

Under **Principle 4** we set out a broader range of initiatives and third-party entities with whom we interact. These may be in the form of formal memberships, or signatories to specific initiatives, that are supportive of our company and market wide-outreach. Examples include the International Corporate Governance Network (ICGN), CDP, the Institutional Investor Group on Climate Change (IIGCC), WBA Ethical AI Collective Impact Coalition and Find It, Fix It, Prevent It. With all these relationships, our Stewardship team undertakes an annual review to determine whether we will continue our support.

PRINCIPLE 9

ENGAGEMENT

Our engagement work with companies means that we maintain communications with the board and/or management of our investee companies. Through this we aim to address identified adverse impacts for society or the environment, strategic questions and/or governance failures, with a view to protecting and enhancing our clients' capital.

The collective failure of asset owners and managers to properly monitor and hold executives to account is widely viewed as a weakness in capital markets. In the end, a passive approach to ownership risks making all of us worse off if capital is allocated inappropriately, harmful externalities ignored, executives are not held to account and short-term results are prioritised over long-term productive investment.

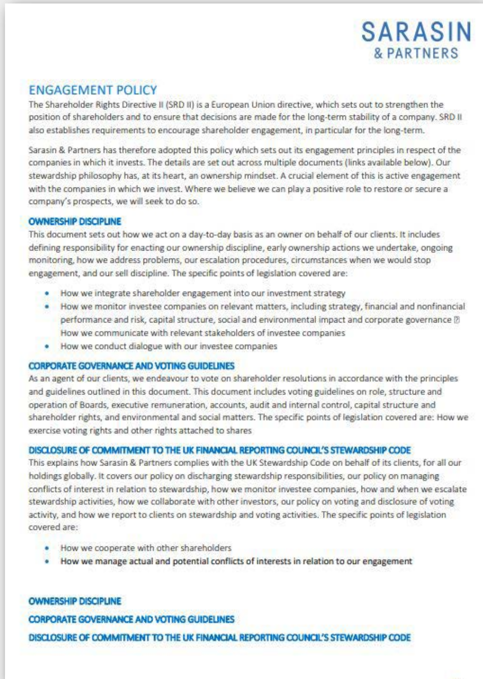
As set out under **Principle 1**, Sarasin & Partners' investment philosophy has an ownership mindset at its core. We stay close to our clients' companies, not just to ensure we can monitor developments and the persistence of long-term value drivers, but also so we can effectively scrutinise and hold management to account for their performance.

SRD II DISCLOSURE NOTE

In line with the Shareholder Rights Directive (SRD) II, the Financial Conduct Authority's (FCA's) Conduct of Business Sourcebook (COBS) rules 2.2B.51 (a) and (b) require Sarasin & Partners to produce an engagement policy and to publicly disclose how it has been implemented annually.

This disclosure must meet the requirements of COBS 2.2B.7R, which specifies that the annual disclosure must include a general description of voting behaviour, an explanation of the most significant votes and reporting on the use of the services of proxy advisers.

Under this principle, we provide a summary of Sarasin's Engagement Policy, as also set out on our website.


SARASIN & PARTNERS

ENGAGEMENT POLICY

The Shareholder Rights Directive II (SRD II) is a European Union directive, which sets out to strengthen the position of shareholders and to ensure that decisions are made for the long-term stability of a company. SRD II also establishes requirements to encourage shareholder engagement, in particular for the long-term.

Sarasin & Partners has therefore adopted this policy which sets out its engagement principles in respect of the companies in which it invests. The details are set out across multiple documents (links available below). Our stewardship philosophy has, at its heart, an ownership mindset. A crucial element of this is active engagement with the companies in which we invest. Where we believe we can play a positive role to restore or secure a company's prospects, we will seek to do so.

OWNERSHIP DISCIPLINE

This document sets out how we act on a day-to-day basis as an owner on behalf of our clients. It includes defining responsibility for enacting our ownership discipline, early ownership actions we undertake, ongoing monitoring, how we address problems, our escalation procedures, circumstances when we would stop engagement, and our sell discipline. The specific points of legislation covered are:

- How we integrate shareholder engagement into our investment strategy
- How we monitor investee companies on relevant matters, including strategy, financial and nonfinancial performance and risk, capital structure, social and environmental impact and corporate governance How we communicate with relevant stakeholders of investee companies
- How we conduct dialogue with our investee companies

CORPORATE GOVERNANCE AND VOTING GUIDELINES

As an agent of our clients, we endeavour to vote on shareholder resolutions in accordance with the principles and guidelines outlined in this document. This document includes voting guidelines on role, structure and operation of Boards, executive remuneration, accounts, audit and internal control, capital structure and shareholder rights, and environmental and social matters. The specific points of legislation covered are: How we exercise voting rights and other rights attached to shares

DISCLOSURE OF COMMITMENT TO THE UK FINANCIAL REPORTING COUNCIL'S STEWARDSHIP CODE

This explains how Sarasin & Partners complies with the UK Stewardship Code on behalf of its clients, for all our holdings globally. It covers our policy on discharging stewardship responsibilities, our policy on managing conflicts of interest in relation to stewardship, how we monitor investee companies, how and when we escalate stewardship activities, how we collaborate with other investors, our policy on voting and disclosure of voting activity, and how we report to clients on stewardship and voting activities. The specific points of legislation covered are:

- How we cooperate with other shareholders
- How we manage actual and potential conflicts of interests in relation to our engagement

OWNERSHIP DISCIPLINE

CORPORATE GOVERNANCE AND VOTING GUIDELINES

DISCLOSURE OF COMMITMENT TO THE UK FINANCIAL REPORTING COUNCIL'S STEWARDSHIP CODE

We provide details on our voting and use of proxy advisers under **Principle 12**.

SARASIN'S OWNERSHIP DISCIPLINE

To ensure rigour, consistency and, ultimately, impact in our ownership work relating to equities, we implement a structured Ownership Discipline.

This process details the steps we take as an owner on behalf of our clients from the time we purchase a material quantum of shares, which include monitoring, voting and addressing problems through to escalation steps where these become necessary. It helps to ensure structure and that we remain results-oriented. It also sets out criteria for where inadequate company action may lead to a sale.

An overview of the process is presented in the schematic to the right.

EARLY OWNERSHIP

Following the purchase of a minimum threshold value of a company's shares, we write to the company's leadership – normally the company chair or lead independent director (LID) of the board where the chair is not independent – to introduce ourselves, outline the basis for our investment thesis and set out the identified areas for engagement. The minimum threshold is set to ensure we focus our energies on those entities where our clients have a material exposure.

MONITORING & VOTING

Our ongoing monitoring involves regular exchanges through calls and/or face-to-face meetings with senior executives, and, wherever possible, the company chair, LID or other non-executive and independent board members. We exercise our votes according to our Corporate Governance and Voting Guidelines. However, if we believe our voting policy produces a perverse outcome, we will override it, recording our rationale. In this way, our voting is an integral part of our ongoing monitoring and engagements (see **Principle 12**).

ADDRESSING PROBLEMS

In instances where concerns arise, we undertake an initial investigation, gather information from third-party sources, as well as the company itself. If we establish that there is a need to raise the concern with the board, we will do so, often in the form of a letter.

SCHEMATIC OF SARASIN'S OWNERSHIP DISCIPLINE

EARLY OWNERSHIP

- Identify engagement priorities – flow from ESG traffic lights & ESG priority themes
- Introductory letter to Board Chairman/Lead Independent director

MONITORING & VOTING

- Ongoing monitoring by analysts and Stewardship specialists
- Voting
- Post-proxy letters

ADDRESSING PROBLEMS

- Checking the case for investment and engagement
- Increase dialogue with Board
  - Jointly led by stewardship experts and analysts
  - Written and in person

ESCALATION

- Company engagement plan
- Coalition building
  - Investor groups
  - Liaising with other asset owners and managers
- Tactical voting and AGM action
  - Voting against directors, auditor, annual report
  - Pre-announcement
  - Shareholder resolutions
- Complaints to regulator
- Public outreach

INVESTMENT IMPLICATIONS

- Engagements feed into investment decision-making
- **Triggers:** SIM upgrade/downgrade; fair value adjustment
- **Sale** due to lack of engagement response and heightened view of risks to capital
- **Purchase** due to increased conviction

Tracking our engagements through K2 platform.
Weekly updates to Global Equities Buy List meeting
Vigilance on how this feeds into investment thesis and valuation

Source: Sarasin & Partners, 2023

ESCALATION

If the issue is not resolved and we determine that our clients' interests are at risk, we will assess whether to escalate our engagement or sell. In the case of escalation, we draw up an engagement plan, which sets out the goal of the engagement, the planned steps we will take and a timeline.

Potential escalation measures include forming a collective shareholder engagement, exercising our votes against directors/auditors, filing shareholder resolutions, lodging complaints with regulators, public outreach and – in extreme cases – we may consider litigation. We ensure the necessary internal communication, review and legal checks are actioned. See details and examples of this in **Principle 11**.

IMPACT

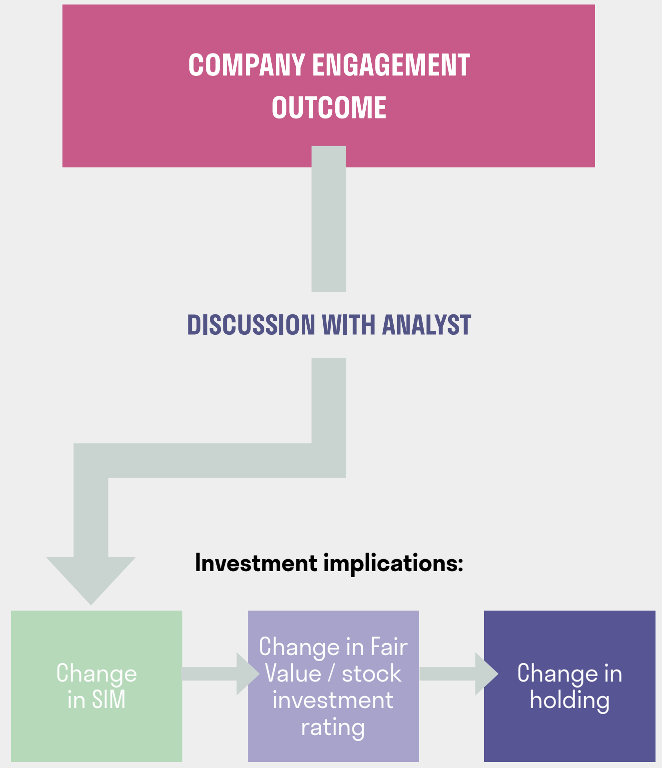
We track the progress and outcomes of our engagements in two categories.

Company impact – First, we track whether an engagement has achieved the intended behavioural change within the targeted company. Where we identify a moderate step forward, such as a commitment to make a change, we view this as achieving a 'Milestone'. Where a core goal has been nearly or partially, but largely achieved, this will be recorded as an 'Impact'. Where the goal has been fully achieved, we will mark it as 'Goal Achieved'. See the exact definitions in **Principle 5**.

Investment implications – Second, we consider whether the company milestones or impacts achieved through our engagements, or other related insights gained, have implications for our investment thesis and holdings. Normally, where an engagement goal has been achieved, this would be reflected in an upgrade in the relevant Sustainability Impact Matrix (SIM) measure (see **Principle 7**), and that in turn leads to a re-examination of key valuation assumptions. In cases where the review results in a change to the stock's investment rating (strong buy, buy, hold or sell), this will filter into buy/sell decisions for individual investment strategies (see schematics and explanation on the right).

We record actions, milestones and impacts in our internal Engagement Tracker. Progress of live engagements is discussed routinely with relevant analysts and portfolio managers, as well as at our weekly Global Equities Buy List meeting.

INVESTMENT IMPLICATIONS OF ENGAGEMENTS



SELL DISCIPLINE

Sometimes, difficulties with an engagement will lead us to sell the investment. Just as we are committed to fulfilling our clients' ownership responsibilities, it is as important for us to know our limits to effect change – either alone or as part of a broader group. There will inevitably be cases where our ability to drive change is limited, or where we fail to achieve our objective. (See the case study on NextEra in **Principle 11**.)

Even where an engagement is progressing well, we may decide to sell the shares where new information comes to light that causes us to reassess the investment case, or the share price rises to unsustainable levels.

The long-term nature of some engagements always needs to be balanced with the need to take swift sale decisions. The portfolio manager retains the final decision about whether or not to sell a company's shares and will take this decision with a clear understanding of any ongoing dialogue and expectations over progress. The rationale will be detailed in any final sell instruction.

LIMITATIONS IN CERTAIN MARKETS AND COMPANIES

It is worth emphasising that our ability to implement our ownership responsibilities varies by jurisdiction due to differences in legal frameworks, culture and market practice. We cannot commit to having the same access to, or influence over, company leadership everywhere we invest. This is one reason why we have tended to have relatively low exposure to emerging markets.

Also, we are inevitably limited by the challenge of diffuse ownership, which means that in most cases our clients' holdings represent a small percentage of the total issued share capital. Where access to the board is limited to only the largest shareholders, this is a constraint.

PRIORITISATION OF ENGAGEMENTS

Engagement work is resource-intensive, which means we have to prioritise the engagements we believe to be most urgent and impactful.

A range of factors are incorporated into our prioritisation of engagements. The most important are:

- Materiality of our holdings (i.e. assets under management, AUM), considering both equity and debt (we discuss our approach to fixed income later in this principle);
- Materiality of ESG concerns for the company or the adverse impacts for the market, environment or society more broadly;
- Ripple effect – we consider whether an engagement has the potential to catalyse behavioural change in the market; and
- Feasibility – our ability to drive change.

The overarching point is that we have a long-term stewardship mindset and wish to maximise our impact in ensuring that our clients' companies are behaving in alignment with a sustainable society, not at its expense.

In some instances, we engage with companies that we do not hold, normally where we see the potential for a powerful ripple effect in the market. An ongoing example is our engagement with Shell. These engagements are part of our market-wide efforts discussed under **Principle 4**.

In line with our current stewardship initiatives outlined in **Principle 1**, our primary focus areas in 2022 were:

- Climate risk management and transition to net zero, with a focus on improved financial statement disclosures;
- Social issues across value chains, including diversity and inclusion, labour rights and human rights; and
- Company-specific governance concerns including specific issues of responsible tech.

Notable company engagements in 2022 were:

- **Climate:** NextEra, CRH, Air Liquide, Equinor, Deere, Weyerhaeuser, Bank of Nova Scotia and Rio Tinto
- **Social:** Siemens, TSMC, Compass, Unite Group, Disney and Shimano
- **Governance:** London Stock Exchange Group, Siemens, IFF, NextEra, US Solar Fund, HOME REIT, Amazon and PayPal

RESOURCES

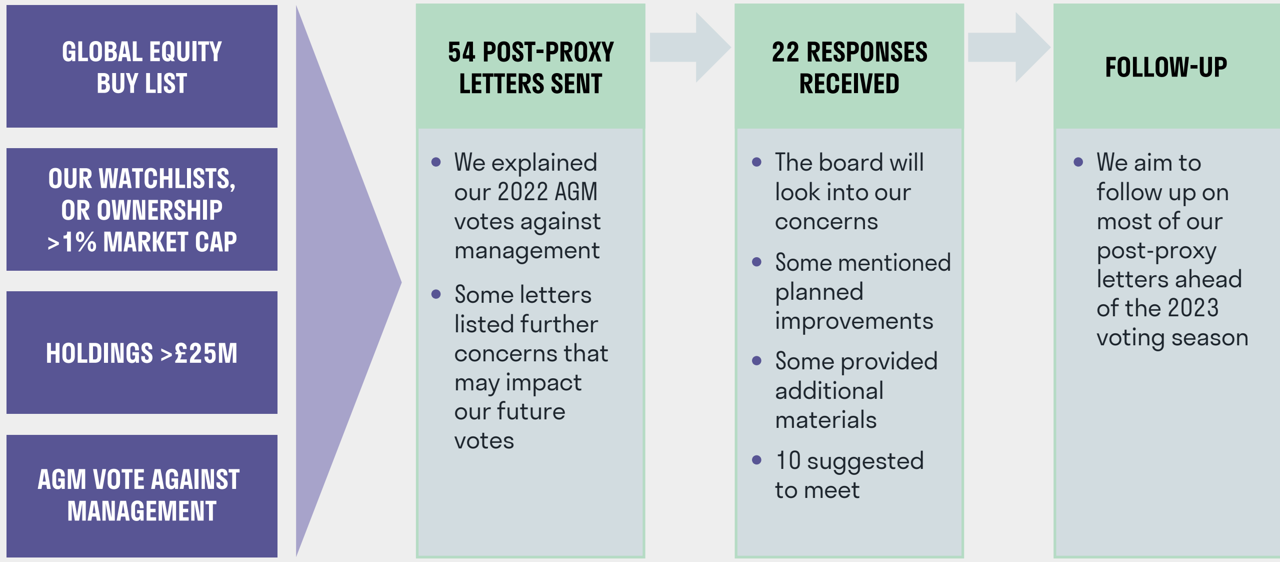
Every member of our asset management team has a responsibility for implementing our Ownership Discipline. Our stewardship leads offer support, advice and challenge for engagements, and will normally jointly lead an engagement in instances where problems have been identified and we embark on a programme of escalation. Our integrated approach is designed to bring together different skill sets to ensure we adopt a holistic and, ultimately, successful engagement.

PROCESS

We usually engage with firms via one-to-one meetings, group meetings and email inquiries. A combination of direct face-to-face interaction and written engagement is preferred, in order to establish more personal relationships with companies and receive more tailored responses to our questions.

CASE STUDY: POST-PROXY LETTERS

Post-proxy letters play an important role in the engagement cycle. They ensure that companies understand our ESG concerns and the rationale behind our voting, and provide a regular prompt for in-person discussions on actions to improve performance.



REPORTING

As discussed under **Principle 6**, we provide quarterly reports on our ownership activities to clients and, where appropriate, updates on our website. In our reports we provide examples of our most impactful stewardship activities.

In **Principle 2** we highlighted our Engagement Reporting Tool, rolled out in 2022, that provides summary statistics on our engagements and their results at a portfolio level. Statistics for 2022 are presented in the charts overleaf, followed by case studies.

A SUMMARY OF OUR 2022 ENGAGEMENT ACTIVITY

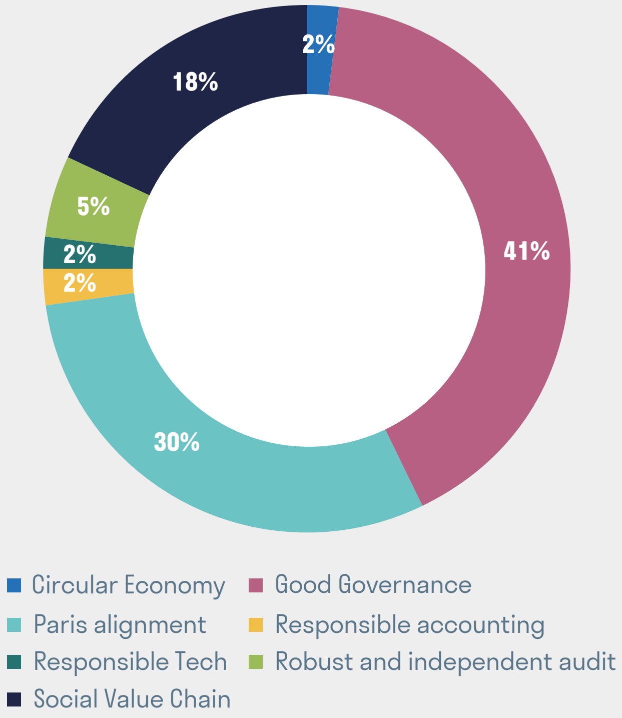
Our engagement activities are recorded as **goal-linked activities (GLAs)**. A GLA represents any type of interaction with the company on a single goal. In cases where we have an interaction with a company that covers more than one goal, this will be recorded as the relevant number of GLAs. This allows us to keep the most accurate record of our focused engagements.

587 goal-linked activities

102 companies engaged

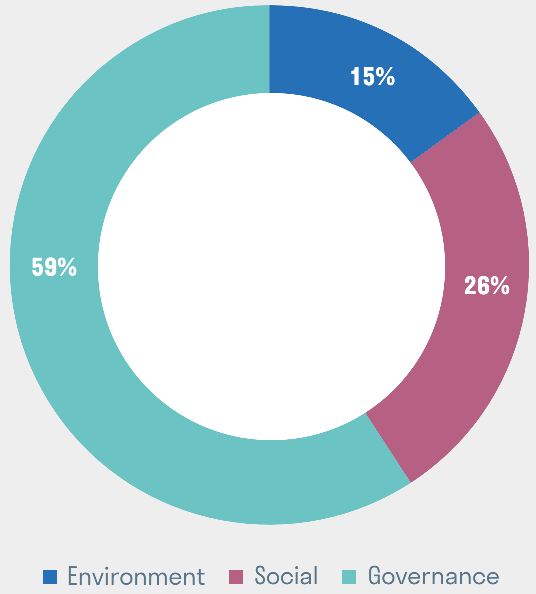
22 goals covered

CHART 1: BRREAKDOWN OF GLAs BY INITIATIVES (%)



Sarasin & Partners, period 01.01.22 - 31.12.22

CHART 2: BREAKDOWN OF GLAs BY SIM (ESG) PILLARS (%)



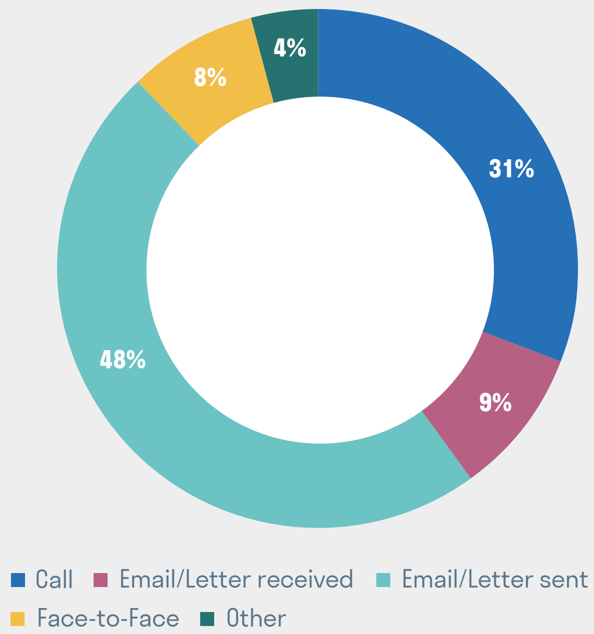
Sarasin & Partners, period 01.01.22 - 31.12.22

TABLE 1: OUTCOMES SUMMARY

OUTCOME TYPES	GOALS	COMPANIES	ENGAGE-MENTS	GLAs*
Action	22	99	349	87%
Impact	11	13	23	4%
Milestone	19	24	48	9%
Grand total	**22**	**102**	**370**	**100%**

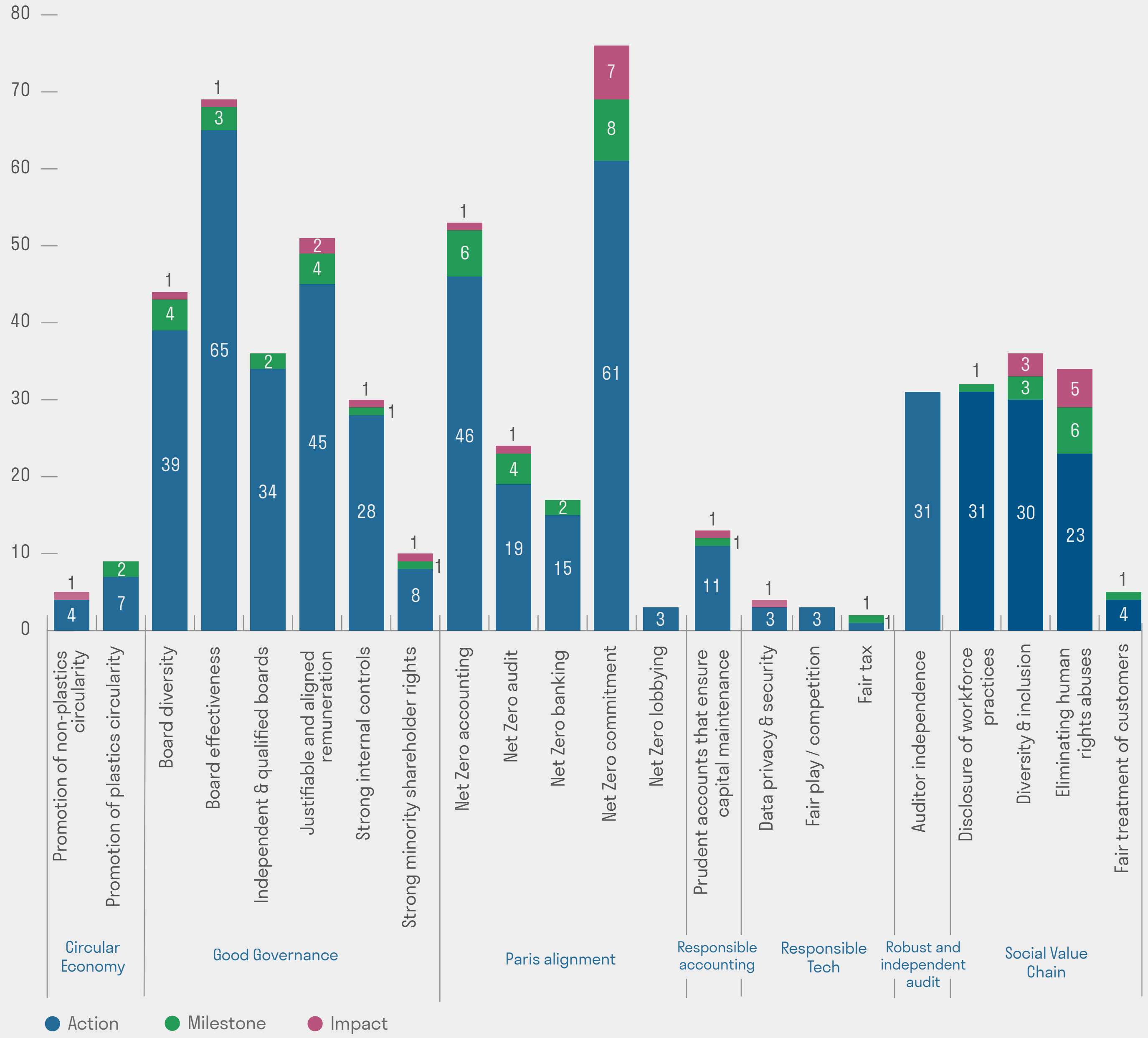
*Goal-linked activity (GLA) is any type of engagement interaction with the company on a single goal. In cases where we have an interaction with a company covering more than one goal, this will be recorded as >1 GLA.

CHART 3: BREAKDOWN OF GLAs BY ACTIVITY TYPE (%)



Sarasin & Partners, period 01.01.22 - 31.12.22

CHART 4: BREAKDOWN OF GLAs* BY GOAL AND OUTCOME



Sarasin & Partners, period 01.01.22 - 31.12.22

*Goal-linked activity (GLA) is any type of engagement interaction with the company on a single goal. In cases where we have an interaction with a company covering more than one goal, this will be recorded as >1 GLA.

EQUITY ENGAGEMENT

CLIMATE CHANGE CASE STUDIES

As underscored in our Net Zero Asset Managers (NZAM) Action Plan, described under **Principle 1**, we prioritise the achievement of real-economy emissions reductions within the sectors and companies in which we invest, rather than simply seeking to take emissions out of portfolios through divestment.

We do not believe that a singular divestment approach is in keeping with the Paris goals, because investors have a vital role to play in pressing carbon-intensive companies to change course. For engagement to deliver the needed impacts, however, it needs to be undertaken with purpose and tenacity. It is, therefore, important that our clients have sufficient visibility of our efforts and impacts to gain comfort that we are delivering on our commitments to them.

In relation to the 'Paris alignment' engagement initiative, in 2022 we engaged with **48 investee entities through 173 goal-linked activities** in all relevant asset classes: equity, fixed income and alternatives.

TABLE 2: ENGAGEMENT ACTIVITIES ON THE PRIORITY INITIATIVE "PARIS ALIGNMENT" PER GOAL

	NET-ZERO COMMITMENT	NET-ZERO ACCOUNTING	NET-ZERO AUDIT	NET-ZERO BANKING	NET-ZERO LOBBYING
Action	61	46	19	15	3
Impact	8	6	4	2	–
Milestone	7	1	1	–	–
Total	**76**	**53**	**24**	**17**	**3**

Source: Sarasin & Partners. Data for the period 01.01.2022 – 31.12.2022

Two examples of equity engagements where we believe we have had a demonstrable impact are provided below. Further on in this section we provide a broader (non-exhaustive) selection of our climate-related engagements and their impacts.

DEERE & CO.

THE ISSUE

Deere is a leading agricultural equipment and advisory company. Aside from investing to deliver zero-carbon equipment, Deere has a unique opportunity to catalyse better carbon management amongst the farmers it serves, given how critical agriculture is for the climate. We have, therefore, been engaging with Deere over the past two years to encourage them to pivot more firmly to a 1.5°C-aligned strategy that puts carbon management at the heart of its future business proposition.

THE GOALS

Three objectives underpin our broader goal to support Deere in aligning with a 1.5°C-temperature pathway:

1. A Net Zero by 2050 commitment, in line with a 1.5°C-pathway;
2. A detailed transition plan, which sets out bolder ambitions to support farmers in managing their carbon assets sustainably (Deere's scope 4 emissions), alongside 1.5°C-aligned scope 1-3 targets; and
3. Financial statement disclosures that provide visibility on how Deere's current climate targets and physical risks are being reflected in its financial statements, and its sensitivity for a 1.5°C-pathway.

WHAT WE DID

Deere was added to Sarasin's climate amber list in 2020, when we began applying our climate voting policy. Building on work undertaken since then, in 2022 we continued to speak with management and the Board. We wrote to the LID expressing our support for the substantial progress made, while highlighting areas for further action. Notably these include seeking a long-term net-zero commitment, a more detailed transition plan and financial statement climate disclosures.

WHAT WE ACHIEVED

Since we began engaging with Deere, we have seen substantial progress. The two key achievements in 2022 included:

- In February 2022 Deere launched its LEAP strategy, which embeds climate change goals. Sustainability is identified as a core element to grow and gain market share in the future. Critically, alongside investments to electrify and reduce emissions from its sales of farming equipment, it underlines Deere's role in supporting farmers' carbon management.
- In October 2022, Deere published 1.5°C Science Based Target Initiative (SBTi) -validated 2030 targets, which cover scopes 1-3 emissions (relating to category 1 and 11 for upstream suppliers and the use of its sold products, notably its agricultural and forestry equipment).

NEXT STEPS

We will continue encouraging Deere to press forward with its LEAP strategy, to set out its longer-term ambition to align with a 1.5°C-pathway, and to provide greater visibility of how its climate targets and other climate factors are reflected in its financial statements.

WEYERHAEUSER INC.

THE ISSUE

Weyerhaeuser is one of the world's largest timberland managers and a leading supplier of low-carbon construction materials. Its lands sequester and store significant amounts of carbon. Based on its carbon record in 2022, it removed an estimated net 14 million metric tonnes of CO_2e from the atmosphere between 2020 and 2021.

Despite Weyerhaeuser's natural alignment with a low-carbon future, we identified two concerns. First, it had until recently failed to grasp this opportunity, and there was no visible commitment to managing its timberlands to maximise carbon storage, or to monetise this benefit. Second, putting to one side its carbon sink, it had failed to make a commitment for lowering the emissions linked to its production facilities, energy use, etc. to net zero by 2050.

THE GOALS

Our goals included pressing the Board to make a net-zero commitment (excluding timberland carbon sequestration), setting science-based interim carbon emission targets and aligning its strategy more strongly with delivering a zero-carbon future. This should include monetising the valuable carbon sinks it manages and phasing out the leasing of sub-surface rights to oil and gas companies. We have also made clear our expectation for improved climate disclosures in Weyerhaeuser's financial statements, in addition to better disclosure for how the company assesses and manages the physical risks from climate change.

WHAT WE DID

We have engaged with Weyerhaeuser since 2019. In 2022, we held discussions with the Company Secretary, Investor Relations (IR) and other executives. We implemented our climate voting policy and, as in previous years, we wrote to the Chair to explain the rationale for our voting. We specifically underlined our ongoing expectation for increased climate-related disclosures in the financial statements and alignment of remuneration with achieving a 1.5°C-outcome. Our engagement with Weyerhaeuser has been undertaken bilaterally, as we did not feel it was necessary to escalate through a collective effort.

WHAT WE ACHIEVED

The following goals have been achieved:

- Paris Pledge: In January 2022, Weyerhaeuser published a 2040 Net Zero commitment with SBTi-approved interim targets. Their targets exclude the carbon removals it generates through forest-based sequestration, which it believes makes its carbon balance net negative today.
- Strategic alignment: The company launched its Natural Climate Solutions business in September 2021 to explicitly embed the carbon sequestration opportunity into the business strategy. The former CFO spearheads this. By the end of 2022, they were operating a pilot forest sequestration project in Maine and a carbon capture and sequestration deal with Occidental in Minnesota, which utilises sub-surface storage capacity.
- Climate risk mitigation: In 2022 Weyerhaeuser provided improved disclosures on how they monitor and manage risks from changing weather patterns (including wildfires and water stress) and ensure asset resilience. Steps include geographical diversification, sale of higher risk lands (e.g. in Montana), fire management and adaptation of seedlings to lower risk tree varieties.

NEXT STEPS

Having achieved key goals, our engagement is now focused on monitoring the delivery of Weyerhaeuser's new strategy. We would like to see the company work with other stakeholders to agree a reliable accounting standard for measuring forest-based carbon offsets that builds confidence in this element of a global climate solution. We will continue to press for a commitment to phase out the last remaining land leases it provides for oil and gas production, improved financial statement disclosure and physical risk mapping.

SELECTION OF CLIMATE ENGAGEMENTS FROM 2022

COMPANY	ENGAGEMENT GOAL AND ACTIVITIES	MILESTONES AND IMPACTS
Air Liquide	Leading collaborative engagement with the Chair of the Audit Committee focused on improved climate-related disclosures in financial statements, including 1.5°C-scenario disclosures. Following a collective investor letter to Audit Committee Chair, copied to other audit committee members and the Lead Audit Partner, we held several discussions with IR and the Head of Group Reporting. Sarasin & Partners pre-declared its AGM votes on its website, including abstention on financial statements and voting against the auditor's re-appointment. Following the annual general meeting (AGM) Sarasin coordinated a follow-up collective letter to the audit committee and separately to the chair, outlining its voting decisions.	**Milestone:** Published audit committee response to Sarasin-led letter on website and additional climate-related disclosures in the 2021 financial statements
Bank of Nova Scotia	Leading collaborative engagement with Chair of the Board to seek net-zero commitment. Following our 2021 engagement with the Board, we held meetings with the Chair, Human Capital and Compensation Committee Chair, Corporate Secretary and Chief Corporate Governance Officer and, separately, with the CFO. We implemented our climate voting policy at the AGM and wrote to the Chair again explaining our votes against the Audit Committee Chair, auditor, Remuneration Committee Chair and remuneration, all including climate factors.	**Impact:** Climate Change Action Plan published with net-zero commitment and details of transition plan
Equinor	Leading collaborative engagement with the Chair of the Audit Committee for improved disclosure of climate considerations in the financial statements. Due to a lack of response to our second letter to the Audit Committee Chair, copied to other audit committee members and the Lead Audit Partner, we pre-declared our votes against Equinor's Net Zero Transition Plan, the annual report and accounts, as well as auditor remuneration, due to concerns around inadequate disclosures and action on decarbonisation. We wrote to the Chair to explain our voting decisions.	**Milestone:** Included commentary on how climate change was factored into accounts, and a 1.5˚C sensitivity for upstream oil and gas assets
HSBC	Sarasin leads the Institutional Investors Group on Climate Change (IIGCC) Net Zero banking working group's collaborative engagement with HSBC. The goal is to gain greater clarity on the implementation of the bank's 2050 net-zero commitment and accounting alignment. Specific actions in 2022 included communication with IR on HSBC's scoring against the pilot net-zero banking standard, a follow-up roundtable discussion on the framework and a call to explore alignment to accounting and lobbying dimensions in greater detail. Following implementation of our climate voting policy, we wrote to the Chair to explain our votes against the Audit Committee Chair, the auditor, remuneration and the financial statements.	**Impact:** Published energy and updated thermal coal financing policies
Legal & General	We have engaged with Legal & General to encourage them to strengthen their existing net-zero goal, with a net-zero lobbying commitment and increased climate-related financial statement disclosures. We were also seeking improved disclosure of distributable reserves. Following a face-to-face meeting with the Chair, Head of Group Reporting and IR to discuss key climate and accounting issues, we held a more detailed call with the Climate Director, Group Finance and Operations Director, resulting in a commitment to consider our proposals in more detail.	**Milestone:** Plan to consider a 1.5˚C lobbying commitment.
DS Smith	Following their commitment to align with a net-zero goal, we have been pressing DS Smith to ensure credible interim targets and a more detailed transition plan. We held discussions with DS Smith's executive team and sent a letter to the Chair, outlining our voting decisions. These included abstentions in relation to the auditor, Audit Committee Chair and financial statements, in keeping with our concerns over the need for greater visibility of how material climate considerations have been incorporated in the financial statements.	**Impact:** 2030 target ratified by the SBTi in January 2022

Source: Sarasin & Partners. Period 01.01.2022 – 31.12.2022. Note: We only list one goal per company with associated milestone/impact, while other goals often exist for the same company

SOCIAL VALUE CHAIN CASE STUDY

Addressing human rights risks is simply the right thing to do. Beyond that, a failure to uphold human rights introduces clear investment risks. Where human rights abuse is identified within the business or supply chain, companies are likely to experience cost increases from potential fines and higher labour costs, as artificially cheap labour needs to be replaced. Any associated reputational damage can also result in negative impacts for sales from the loss of contracts and customer boycotts, amongst other things.

Damage could also arise from broader human rights controversies linked to, for instance, the treatment of local communities, bribery and corruption, as well as actions in conflict regions.

In 2022, we commenced targeted engagements with companies in more exposed sectors, encouraging them to take steps towards best practice with respect to labour and human rights. In total we engaged with **27 companies through 34 goal-linked activities**. Our engagement with Siemens is discussed here.

SIEMENS AG

THE ISSUE

Siemens is a German corporation involved in industry, infrastructure, transport and healthcare. Historic allegations of bribery and corruption, as well as their potential exposure to forced labour, led us to include them in our focus list for human rights and labour rights engagement.

THE GOALS

We engaged with Siemens to get greater clarity over:

- The effectiveness of their internal controls and whistleblowing;
- Assessment and monitoring of higher risk areas for forced labour; and
- Workers' rights and pay equity in their global operations.

WHAT WE DID

In 2022 we spoke with their Chief Compliance Officer and other senior members of the management team on issues related to their labour and human rights performance. This followed on from previous conversations with IR on controls regarding bribery and corruption.

WHAT WE ACHIEVED

We gained comfort that Siemens have learned from previous bribery and corruption scandals. They implemented stronger controls in the form of a more comprehensive compliance management system, in addition to improved policies and procedures.

In terms of their supply chain, Siemens worked to comply with the new German Supply Chain Due Diligence Law, which came into effect in January 2023. This law touches on many environmental and human rights aspects. For example, it requires companies to produce policy statements and risk analysis; annual reports on the activities of their supply chain; and to rectify any violations identified. Siemens felt that they are in a relatively strong position to comply, and we discussed the areas where they need to make further improvement.

Overall, our engagement provided reassurance, visibility and improved accountability for concerns relating to bribery and corruption, as well as human rights, amongst other things.

NEXT STEPS

We will continue to monitor disclosures and third-party analysis around these complex areas, especially forthcoming annual reports under the new German Supply Chain Due Diligence Law.

SOCIAL AND GOVERNANCE CASE STUDY

The promotion of diversity and inclusion remains a key focus for us – we have long incorporated board-level gender diversity guidelines into our voting. In 2022 we included ethnic diversity guidelines for UK and US companies for the first time. Where boards fall short of these guidelines, it raises concerns about groupthink and the risk that appointments are not truly made on merit. We also promote diversity and inclusion within senior management and the wider workforce, with pay equity as a particular focus.

In 2022 we engaged with **36 companies** focusing on board diversity, and separately with **27 companies** on diversity and inclusion beyond corporate boards. With **15** of these companies we engaged on both topics.

TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD (TSMC)

THE ISSUE

TSMC is one of the world's leading semiconductor manufacturers. While the company has taken steps to increase diversity in its workforce, including launching initiatives to recruit more women and under-represented minorities, the lack of progress with respect to board diversity is a cause for concern. The Board has only one female director, who has served for 11 years, which has raised additional concerns about the long tenure of board directors.

THE GOALS

We want to see TSMC commit to improving the diversity and independence of their board, with the specific target of 30% gender diversity.

WHAT WE DID

Following an exchange of letters with the Chair in 2021, in which they acknowledge the concern and indicated they consider diversity in board appointments, there was no improvement in female representation on the Board in 2022. We were not able to vote against the Nomination Committee Chair, as no directors were up for election. Therefore, we wrote to the Chair again in July 2022, strongly expressing our concerns and communicating that we would like to see progress before the next director elections.

WHAT WE ACHIEVED

Following our letter, the company responded that it will take the points we raised into consideration in their planning for the upcoming 2024 board elections. This is encouraging and we would like to see further action take place.

NEXT STEPS

While the next opportunity for increasing female representation on the Board is in 2024, we will continue to press the company to make a firmer (and ideally public) commitment to achieving 30% female representation within a defined time frame.

GOVERNANCE CASE STUDIES

Governance is a constant area of scrutiny for us. Ensuring effective boards requires the right skill sets, strong structures (such as having committees on audit, remuneration and nomination) and the right mindset. On this, diversity of thought, independence and a willingness to challenge are essential ingredients.

It is worth emphasising that engagement on governance issues is not narrowly construed as only relating to the board structure or auditor independence. Rather, it considers broader indicators of good governance, spanning strategy, capital discipline and operational behaviour.

In the end, the board of directors must be equipped to exert effective oversight of management on behalf of investors in order for the company to succeed. As underscored elsewhere in this report, we look to the board to ensure success is achieved in a manner that is aligned with societal interests, not at its expense. In short, good governance is vital, in our mind, to underpin responsible management of environmental and social impacts.

In 2022, we engaged with **75 companies** on governance, covering a range of issues, including board independence and skills, executive remuneration, auditor independence and internal controls.

We specifically engaged with **39 companies** on board effectiveness linked to concerns over corporate strategy. Triggers for our engagements were weak performance, unexpectedly big and frequent acquisitions, and inadequate investor communication that led to worsening market sentiment. We provide two examples here.

LONDON STOCK EXCHANGE GROUP (LSEG)

THE ISSUES

LSEG is one of the pre-eminent capital markets globally. Over the years it has expanded its activities from providing a platform for issuing and trading securities to delivering market information and analytics. Its 2021 acquisition of Refinitiv was another major step in this direction. In the months following this acquisition, however, the company failed to gain investor confidence in their ability to deliver the synergies it had promised would flow from the combination.

We identified a number of governance concerns, as follows:

- Investor communication: The Board and IR were not sufficiently clear and proactive following the merger with Refinitiv, leading to confusion and weakening sentiment over the company's strategy. In addition, the Board failed to respond to our correspondence over several months. This appeared to be linked to weaknesses in the IR team and processes, heightening a feeling of weak oversight.
- Board composition: we were keen to understand the role and alignment of the strategic shareholders' (who joined as part of the Refinitiv acquisition) director representatives with minority shareholder interests.
- CEO remuneration: we wanted to understand the justification for a substantial rise in compensation in 2021, given weak performance and little evidence of delivery of the promised benefits.

THE GOALS

We set clear expectations addressing each of the above concerns, as follows:

- Investor communications: a change in the IR leadership to address poor market communication;
- Board composition: increased disclosure regarding board composition and the role of the strategic investors; and
- CEO remuneration: clearer justification for 2021 payouts and a commitment to ensuring tight links to performance going forward.

WHAT WE DID

Following correspondence with the Chair, a meeting with the CFO and numerous follow-up attempts through IR, we met the Chair and the newly appointed Head of IR in December 2022 to discuss our concerns. We followed up with clear proposals and requests for continued dialogue.

WHAT WE ACHIEVED

In line with our concerns raised in our letters, LSEG replaced the Head of IR in late 2022. Investor communications have also substantially improved. We were undoubtedly not the only shareholders who sought a change, but this was a key step forward towards restoring our confidence in the company.

We received evidence of an effective board composition corresponding to the current structure and needs of the company, as well as a plan for future change.

We received explanation of the change in the executive remuneration policy that happened in 2021. Most importantly, we received the assurance of a stronger investor consultation process to be used going forward.

The Chair showed interest in our ideas about a potential for LSEG to drive the net-zero transition in the market, and proposed further discussion with the executive.

NEXT STEPS

We seek further discussions with the company over our proposed steps relating to net-zero alignment.

FIXED INCOME ENGAGEMENT

Just as we engage as equity holders, it is important to have dialogue with debt issuers to communicate concerns and seek improved ESG performance. We believe that through our engagement, we can reduce the credit risk of a given issuer while also affecting positive outcomes for the society and the planet.

In implementing our Ownership Discipline for fixed income securities, the key difference to equities is that creditors do not have a vote at company meetings, or other powers to convene meetings. However, they can exert influence in other important ways. Particular points when creditors have leverage is 1) prior to new issuance – when the terms of the security trust and intercreditor deeds (STIDs) are set, and 2) when bond holders get a vote on a corporate action (see **Principle 12** for more detail on our approach to voting).
We also engage at other points and we undertake joint engagements with the equity team when we hold shares and credit from the same issuer and have concerns.

Aside from different leverage points linked to voting, we implement all the other elements of our Ownership Discipline, including escalation through collective engagements with peers on shared concerns.

CASE STUDY: HOUSING ASSOCIATIONS

THE ISSUE

We highlighted the lack of disclosure amongst housing associations (HAs) in the UK as a deficiency in last year's Stewardship Report. This continues to be a concern, and ongoing negative news-flow relating to mismanagement and ill-treatment of tenants is a priority concern for us.

THE GOALS

We believe HAs should provide a valuable social benefit for disadvantaged communities, but that requires strong governance, accountability and proper internal controls. In order to assess this, we need proper disclosure by HAs, including disclosure under the Task Force on Climate-Related Financial Disclosures (TCFD), among others.

WHAT WE DID

In 2022 we worked with the Investment Association (IA) to develop the updated 'Governance and Disclosure Guidelines for Housing Associations Seeking Capital Markets Funding'. Our participation in the IA workgroup is core to the strategy for improving HAs' disclosure.

We also undertook internal assessments to identify indicators relating to ESG to enable better tracking of our holdings' performance and provide an input into our investment decision-making and also engagement.

In addition, we had six investor calls / management meetings – with H21, Golden Lane, Hightown HA, Peabody, Riverside, and Catalyst. To date, the focus of our dialogues with issuers has been to encourage better disclosure. One of the focus areas is the quality of housing stock – with an aim to get a better understanding of the providers' carbon footprint.

In addition, against the backdrop of the cost of living crisis, we have sent emails to various HAs with a request to provide more information on how the provider is addressing the risk of loan sharks and how they help tenants with financial issues.

WHAT WE ACHIEVED

In November 2022 the IA updated the Governance and Disclosure Guidelines for Housing Association Seeking Capital Markets Funding. The guidelines press HAs for greater disclosures relating to ESG issues, including climate reporting in accordance with the TCFD Reporting Framework. They cover emissions under scopes 1-3. They also cover wage gaps, tenant treatment, affordability, etc.

Further, we obtained a better understanding of the carbon profiles and quality of services that the HAs provide, including services on financial inclusion. We discussed opportunities for improvement, such as signposting to other advice and help (e.g. the Illegal Money Lending Team).

Please also see the case study on JIGSAW FUNDING vs. NOTTING HILL GENESIS in **Principle 5**).

We undertook over **25 engagement activities** with bond issuers in 2022, particularly in the banking and real estate/HA space focusing on our key thematic priorities: climate change, social value chain and governance. Please see examples overleaf.

EXAMPLES OF 2022 FIXED INCOME ENGAGEMENTS AND THEIR OUTCOMES

COMPANY	E/S/G FACTOR	GOAL	ACTIVITIES	OUTCOMES
Credit Suisse (CS)	E: Climate Change	Seeking net-zero financing commitment that covers all financing, including underwriting	Two calls with executive team	• CS intends to enhance disclosures in its TCFD report. • 2030 and 2050 carbon reduction goals to be published for the automotive and commercial real estate sectors in addition to priority sectors like oil and gas. • CS intends to apply SBTi standards for the capital markets business as soon as the methodology is available. • Clients' energy transition readiness assessment to be rolled out across sectors.
Credit Suisse	G: Governance and Risk Controls	Seeking governance overhaul to address deficiencies in cross-divisional governance and risk control	One call with executive team and one call with IR	CS announced a major restructuring programme aiming to de-risk and simplify the bank, as well as reduce governance complexities. At the same time, management is in the process of implementing the recommendations of internal and external investigations. It will take a long time to remediate the group's significant governance shortcomings. Elevated governance concerns and ongoing negative headlines impacted the group's franchise and financial position. On the back of this, we reduced our exposure to the group, particularly to lower parts of the capital structure.
Lancashire Holdings Ltd	E: Climate Change	Seeking net-zero targets for investment portfolio and improved climate risk management given high exposure to the energy sector (approximately 20% of premiums)	One meeting with executive team	Lancashire started to follow Lloyds ESG Guidelines and increasingly attempts to ensure that the companies they insure are on a solid net-zero transition path. Lancashire discloses exposure to catastrophe losses that would result in an impairment, and the estimated impact on its tangible capital. Engagement is ongoing.
Retail Charity Bonds	G: Governance	Inadequate disclosure of information covenants to bond holders. These require charities to supply compliance certificates to the lender (RCB Bonds PLC).	Meeting with Allia C&C – the servicer of the Retail Charity Bonds platform who acts as an information provider. We pushed for better disclosure of governance information.	The Servicer (Allia) has started to incorporate details on covenants and disclosure within their reporting to investors. In response to our requests, the Servicer started organising investor calls on behalf of several charities. In 2022 these included Greensleeves, Belong and Golden Lane.

ALTERNATIVES ENGAGEMENT

In 2022 we had engagements with 18 chairs of investment trusts. We focused on board composition and effectiveness, including board communication with investors, which has been weak in a few cases. We also discussed approaches to those environmental and social issues that are relevant for their specific business models. With some of these funds, follow-up engagements became quite intensive. Please see **Principle 11** for one such example.

In the **Appendix** to this report, we share the full list of companies that we engaged with in 2022 and the number of goal-linked engagement activities on each.

PRINCIPLE 10

COLLABORATION

We collaborate with other like-minded investors to amplify our voice in company engagements and policy outreach. As a mid-sized asset manager with global investments, we are not often in the top ten of any company's shareholder or creditor base, but through collaboration we can enhance our ability to drive change.

Gaining broader investor support for particular positions depends on us delivering high-quality analysis with credible proposals for action that others can get behind. We, therefore, put considerable effort into our analytical work. As a relatively high-conviction asset manager with a core global equity buy list of approximately 100 stocks, we can draw on a deep understanding of the businesses we hold.

COMPANY ENGAGEMENTS

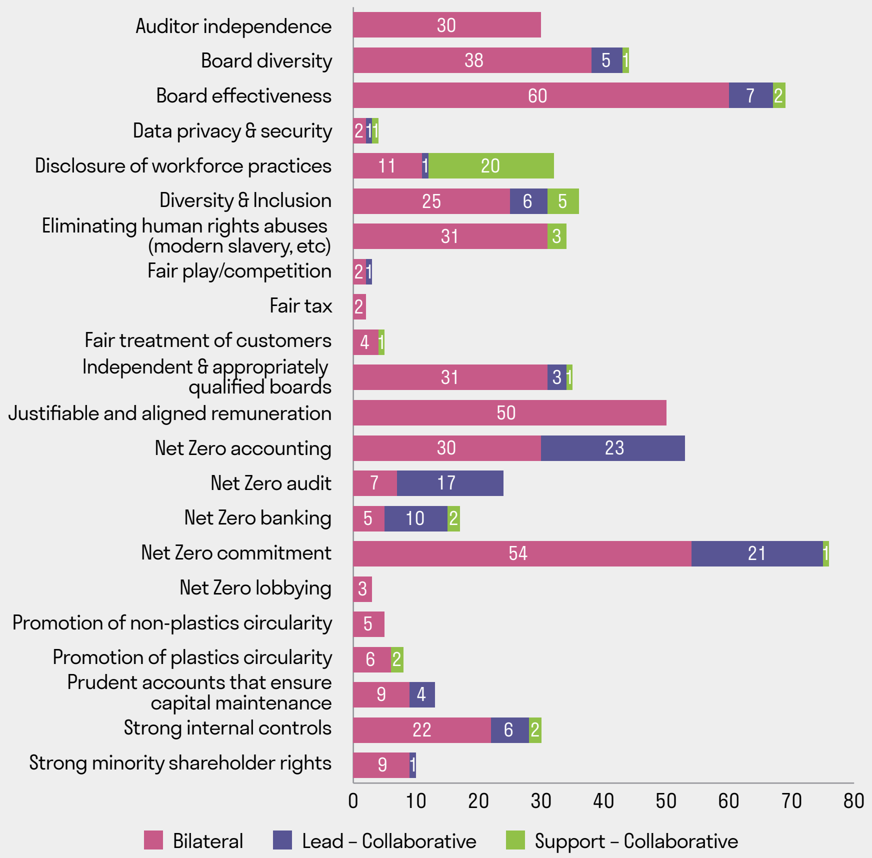
While the majority of our company engagements are pursued on our own, as outlined under **Principle 9**, we will collaborate with other investors where we seek to increase effectiveness or escalate due to resistance from a board or executives. Wherever we explore collaboration, we ensure the steps we take are consistent with local laws and regulations.

In 2022, we participated in **147** collaborative goal-linked activities (GLAs) with **40** companies. We led **106** of these GLAs. These were normally engagements tied to our stewardship priorities (see **Principle 1**), where we wished to draw together a broader group to increase our voice. In the other 41 GLAs, we added our name to efforts that aligned well with our priority areas of concern.

Most of these activities took the form of collective investor letters or joint calls, sometimes with follow-up exchanges. A large proportion of the work, particularly where we were leads, was coordination and preparatory discussions.

The table overleaf provides an overview of some of these, their goals and outcomes so far.

COLLABORATIONS BY GOAL (NUMBER OF GLAs*)



*Goal-linked activity (GLA) is any type of engagement interaction with the company on a single goal. In cases where we have an interaction with a company covering more than one goal, this will be recorded as >1 GLA.

In 2022, we participated in **147** collaborative goal-linked activities (GLAs) with **40** companies. We led **106** of these GLAs.

2022 COLLABORATIVE ENGAGEMENTS

Company	Engagement goal and activities	Milestones and impacts
Air Liquide	As a member of the Climate Action 100+ (CA100+) investor group, we participated in collective and supportive bilateral dialogue with the Board (including our post-proxy letter to the Chair) and investor relations (IR), aiming to have the company make a firm net-zero commitment, including scope 3 emissions and a detailed transition plan.	**Milestone:** Published sustainability report, with more robust net-zero commitments linked to ADVANCE strategy.
CRH	As co-lead for the CA100+ engagement, we chaired a call with the Chair of the Board and IR in response to a collective letter seeking a clear net-zero commitment and transition plan, as well as net-zero accounting disclosures. We sent a follow-up letter to the Audit Committee Chair seeking improved disclosures for a 1.5˚C pathway in the financial statements.	**Milestone:** Letter from Audit Committee Chair in response to our letter (December 2021) outlining plans to make additional disclosures in the financial statements.
NextEra Energy	As co-lead for the CA100+ engagement with NextEra, we had numerous group calls and emails with IR / the Company Secretary pressing for a net-zero commitment. In response to inadequate action, we co-filed a shareholder resolution, which we subsequently withdrew after the company communicated its intention to publish a net-zero commitment. We predeclared our votes against the Chair and Lead Director at the 2022 annual general meeting (AGM).	**Impact:** Published Real Zero by 2045 commitment for scope 1 and 2, as well as a Zero Carbon Blueprint – a detailed articulation of how it will deliver on its promise without relying on carbon offsets. We published a statement welcoming this commitment.
Rio Tinto	We continued to lead a collective engagement with Rio's Board seeking increased climate-related disclosures in the financial statements. We had a call with the Head of Reporting and sent a letter to the Audit Committee Chair, copied to the Chair, other Audit Committee directors and Lead Audit Partner. Despite progress, we reiterated our expectation for additional disclosures in our 2022 post-proxy letter to the Chair.	**Milestone:** Detailed discussion of how climate is considered in the financial statements, but lacking in quantitative disclosures. Sensitivity to faster transition scenario provided for two key assets.

2022 COLLABORATIVE ENGAGEMENTS (continued)

Company	Engagement goal and activities	Milestones and impacts
SSP Group	As the lead on SSP in the 30% Club UK Investor Group, we sent a letter to the Chair on behalf of the group on the topic of the Parker Review recommendations on race equity. We aimed to discuss their progress towards the 2024 target, and specific actions to improve ethnic diversity across the organisation, Board diversity, as well as broader diversity and inclusion.	**Milestone:** Response from the Chair of SSP to our 30% Club letter, indicating that they had appointed a director that satisfies the Parker Review guidelines, and have also been making significant progress on gender diversity both at the Board and Executive level. They acknowledge that there is more to be done within the workforce and are committed to continuous improvement, particularly around ethnicity data collection and diversity, equity and inclusion reporting generally.
3i Group	As a support investor on the 30% Club UK Investor Group, we co-drafted a letter to chairs of FTSE 100 companies to press for compliance with the Parker Review target of at least one ethnic minority board director.	**Impact:** Appointed an ethnic minority director in compliance with the Parker Review.
DS Smith	As a support investor on the 30% Club UK Investor Group, we co-drafted a letter to chairs of FTSE 100 companies to press for compliance with the Parker Review target of at least one ethnic minority board director.	**Impact:** Appointed an ethnic minority director in compliance with the Parker Review.
Compass Group	As a support investor of the 'Find It, Fix It, Prevent It' – Modern Slavery Initiative, following up on our previous engagements, we had an update call with the Chief People Officer, IR and Corporate Communications.	**Milestone:** Definite improvement in disclosure compared to last year's: a full-page case study on the Middle East was provided. While not the full disclosure we would have preferred, it provides some reassurance that there are no current major issues, and have been rectified.
PayPal Holdings	As support investor on the WBA Ethical AI Collective Impact Coalition, we had a call with the team involved in responsible AI oversight. We subsequently highlighted the AI-related concerns in our 2022 post-proxy letter to the company.	**Milestone:** Evidence that ethical AI is high on the agenda, impact assessments have been done, five principles are in place and there is a governance body. However, none of this is public.

To avoid duplication we excluded from this table the engagements with three companies we already showed in the table under **Principle 9** (Air Liquide on net-zero accounting, Bank of Nova Scotia and Equinor). In all of those engagements, we were leads.

CASE STUDY: 30% CLUB UK INVESTOR RACE EQUITY WORKING GROUP

THE ISSUE

As mentioned in **Principle 1**, we have led the race equity workstream of the 30% Club UK Investor Group since mid-2022. The 30% Club UK Investor Group was established in 2011 and brings together more than 40 investors with £11.7 trillion assets under management to drive change with companies on diversity and inclusion (D&I).

We acknowledge the existence of inequities and discrimination with respect to a number of factors including, but not limited to, gender, race, sexual orientation, age, disability, religion, culture and socio-economic status. In particular, we recognise the existence of systemic discrimination and its impacts on racial and ethnic minorities globally. As investors, we can contribute to addressing these inequities by taking concrete steps to promote D&I across our portfolios and within our organisations.

We are pleased that some companies are showing leadership on D&I, but there still remains much to be done. Collectively, we seek to encourage UK public companies to advance their D&I efforts, alongside enhancing transparency and accountability.

THE GOALS

We lead the investor workstream to press companies towards achieving the 30% Club's targets for representation of women of colour in senior executive and board roles in UK-listed companies, as well as the Parker Review recommendations for ethnic diversity on FTSE Boards. In terms of accountability, we ask that companies, in addition to disclosing racial diversity data where permitted, establish a level of transparency on par with current gender diversity disclosure. They should also outline how they plan to increase racial D&I in their workforces.

WHAT WE DID

Following the launch of the 30% Club's Investor Statement on Addressing Racial Inequality and Call to Action in March 2022, which we were instrumental in drafting, we now lead the collective outreach with FTSE companies to satisfy the statement's asks.

The working group's focus is on those FTSE 250 companies that do not meet the Parker Review recommendations, based on the most recent update report as of March 2022. The final target list totalled 71 names (excluding investment trusts and real estate investment trusts – REITS). The working group has split these into three phases based on market capitalisation and intend to contact them over the longer term.

In August 2022, we launched our Phase 1 outreach, comprising 21 companies. Letters highlighting our key asks were sent to the chairs of all of these companies, with each member of the working group taking ownership of specific companies. Sarasin & Partners led on SSP Group and Unite Group.

WHAT WE ACHIEVED

Even at the early stages of the collective engagements we have seen positive momentum building, as formal responses were received and meetings or calls took place (see diagram below).

Source: 30% Club's UK Investor Race Equity Working Group - December 2022

NEXT STEPS

We plan to continue engagement with any non-responders from Phase 1 and launch engagement with the Phase 2 tranche of companies in 2023. We are working to see the FTSE 250 companies achieve compliance with the Parker Review ahead of the 2024 deadline, as well as improving transparency on racial and ethnic inclusion in their workforces.

CASE STUDY: AMAZON.COM

THE ISSUE

As mentioned in **Principle 4**, we helped to co-found the WBA Ethical Artificial Intelligence (AI) Collective Impact Coalition (CIC) together with almost 30 investors. We volunteered to co-lead the engagement group on Amazon, because we saw that certain algorithms that are key to its business model (e.g. the "Featured Merchant Algorithm" that defines how merchants' goods end up in the Amazon's Buy Box) are not transparent enough. We were also concerned about the use of AI tools in worker treatment (e.g. hiring process, surveillance of workers). In our view, this contrasts with best-in-class transparency on AI approaches provided by Amazon Web Services in respect of its products.

THE GOALS

We aim to press Amazon to adopt a public commitment to ethical AI principles consistent with protecting human rights, including a clear governance system oversight for integrating ethical considerations into AI designs and use. We also want to see evidence of this commitment being implemented across the organisation.

WHAT WE DID

We became co-lead of the CIC engagement group in 2022. We sent a letter to the company articulating our concerns and expectations regarding ethical AI, alongside five investor members of the CIC engagement group in September 2022.

We organised an in-person meeting at our offices in October with Amazon's IR and the Lead for Digital Rights Policy Engagement. We discussed the company's AI-based business models where disclosures would be most needed.

We subsequently highlighted concerns related to ethical AI in our post-proxy letter.

WHAT WE ACHIEVED

Our dialogue with Amazon has been constructive, but they are yet to make explicit commitments to adopt ethical AI principles and improve transparency.

We have, however, gained better insight into the work that Amazon is doing on human rights due diligence and stakeholder engagement in areas where they see exposures. For example, they actively participate in various international coalitions and initiatives looking to develop specific standards.

NEXT STEPS

We will continue to engage with Amazon in line with our stated goals. We are exploring whether we can meet with a wider range of people, including those whose daily job is making sure that AI technologies are designed and applied in a responsible way. We also aim to gain access to the Board to ensure proper governance of AI.

POLICY OUTREACH

In many cases, our collaborations link into broader initiatives that we support as part of our engagement initiatives, such as CA100+, 30% Club, 'Find It, Fix It, Prevent It' – Modern Slavery Initiative, the Workforce Disclosure Initiative, the Tax Reference Group of PRI and the Ellen MacArthur global commitment on recycling. These were also outlined under **Principle 4**.

Likewise, collaboration is important in our policy outreach work, where having a collective investor voice behind specific requests for policy action is necessary to gain traction. Examples include initiatives to improve the audit system, to reform international accounting standards, to call for companies to deliver Paris-aligned accounts and to promote oversight over tax transparency and human rights in supply chains.

PRINCIPLE 11

ESCALATION

A central pillar of good governance is that individual directors can be held personally accountable for shareholder outcomes.

The ability to escalate where we fail to gain traction on key issues of concern for our clients is important, as it demonstrates a commitment to our goal and increases our chances of success. Escalation is, therefore, a feature of both our engagement work (see Principle 9) and our policy and market outreach (Principle 4). But we do not escalate our efforts in all situations. There are costs involved, chances of success vary and reputational risks need to be considered.

There is a range of options open to shareholders to apply greater pressure on boards and management, including:

COLLECTIVE SHAREHOLDER ENGAGEMENTS

A common escalation step is to join with other concerned shareholders in a shared engagement effort. While rules around collective engagement vary between markets, and therefore may not always be an option, in markets like the UK and US it is a commonly used tool as part of promoting better dialogue and more robust governance at companies (see **Principle 10**). Notable examples of collective shareholder engagements in 2022 included NextEra, Air Liquide, Equinor, CRH, Amazon, PayPal, 3i Group, Compass and DS Smith.

VOTING AGAINST DIRECTORS

A central pillar of good governance is that individual directors can be held personally accountable for shareholder outcomes. We therefore use our votes thoughtfully, and do not automatically vote for directors. We also communicate with other investors and proxy advisory agencies to ensure they are aware of long-term shareholder concerns. The power of the vote varies by jurisdiction, but is not limited to the legal rights it conveys.

Heavy votes against individual directors (in some cases more than 10% against) can be influential through their reputational impact for the targeted director, and the signal it sends. Also, it is important to understand the board dynamic to identify those who might be sympathetic to our cause and take a differentiated approach that reflects this.

In 2022 we voted against **907** company directors, or **25%** of the total director election votes, on various concerns. The vast majority of these votes against directors were on governance grounds, and specifically concerns over a lack of independence (see table overleaf).

We continued to seek personal accountability of chairs of key board committees, such as remuneration, audit and nomination committees, where we have found weaknesses in their areas of responsibility. For instance, if we have voted against the remuneration policy / report or company auditor for two consecutive years and have not seen positive change we will normally vote against the committee chair. In 2022 such escalation votes accounted for **78 directors**, or 2% of all our director election votes. Examples include Walt Disney, Deere, Bank of Nova Scotia, SVB Financial Group, Amazon, Illumina and Samsonite.

These votes are often linked to our engagements (see case study on Deere in **Principle 9**, NextEra and US Solar Fund to follow in this principle and Equinor in **Principle 12**). Beyond our core governance oversight, we use our votes against directors to advance our key priority engagements where we see inadequate action.

To promote action on climate change, for instance, we introduced our climate voting policy in 2018 to focus on director accountability. This has been strengthened over the years, with specific rules to hold the chair, audit committee chair and remuneration committee chair to account for progress in their areas of responsibility.

In 2022 we published our climate voting policy in a stand-alone document to draw public attention to the importance of director accountability on climate change (and auditor – see overleaf our approach regarding votes on auditors in **Principle 12**). In public statements in January, September and December we also highlighted a need for investors to use their vote in moving the climate agenda at carbon-intensive companies. During the year, we voted against 51 directors on climate grounds, where we perceived material climate risks and saw lack of progress.

On diversity, we also voted against **147** directors, mainly the chairs of nomination committees, due to the lack of board diversity. Some of those votes were an escalation of previous engagement on this topic where we considered there was insufficient progress. Examples include Charter Communications, Daikin, Keyence and Kubota.

In line with the extension of our voting rules to cover ethnic diversity for UK and US companies, we voted against 49 nomination committee chairs due to insufficient ethnic diversity, and in 37 of those cases it was the sole reason for the lack of support. The breakdown of votes related director votes in 2022 is shown on the right.

SUMMARY OF DIRECTOR VOTING

Rationale for voting against company directors	Number of directors
Lack of independence, including:	**350**
Lack of majority independence of the board*	161
Non-independent directors on key committees*	182
Board diversity, including:	**147**
Gender diversity	106
Ethnic diversity	49
Overboarding*	**129**
Escalation (voting against the relevant issue for two years or more)	**78**
Climate concerns	**51**
Staggered or classified boards*	**14**
Total	**907**

Source: Sarasin & Partners, 2022. The total number of director votes was 3,564.

*The numbers show where this factor was the first mentioned in the voting rationale. Often there is more than one driver for a vote against, so the statistics here are a lower bound. For example, we voted against 161 directors due to a lack of majority independence on the board. Independence may have been a contributing factor in other votes against directors but was not listed as the first rationale.

FILING SHAREHOLDER RESOLUTIONS / PROPOSING DIRECTORS

Shareholders often have powers to file shareholder resolutions, including proposing independent directors for the board. This can be an effective tool to ensure the board has the right leadership, or to press a board to undertake a particular action they are otherwise resisting. Even where the shareholder proposals are not ultimately passed, if sufficient support is garnered this sends a strong signal to the board that it needs to act.

In 2022, we co-filed a climate change resolution at NextEra that was subsequently withdrawn following the board's positive response (see the case study overleaf).

VOTING AGAINST THE AUDITOR AND/OR ANNUAL REPORT AND ACCOUNTS

Shareholders often have a binding vote on the auditor's appointment (and even non-binding votes can be powerful).

This is because the auditor plays a critical role in protecting investors from misleading reporting of performance and capital strength. This vote (and any associated engagement with the auditor) is thus vital as it provides a means for ensuring auditors remain vigilant on behalf of shareholders. It reminds auditors who their ultimate clients are, where there are too often pressures for auditors to align with executives. Indeed, in our view, the failure of shareholders to hold auditors to account through their votes is a key cause for weak audit quality and scepticism over the reliability of company accounts.

In 2022, as a result of concerns over auditor independence or audit quality, we voted against **143** proposals to appoint company auditors, or **32%** of the total.

Alongside shareholder rights to appoint company auditors, a vote against an annual report and accounts sends a strong signal that shareholders lack faith in what is being reported. In 2022, we voted against **4%** of all voted company accounts.

A key area of focus in 2022 remained on the importance of auditors kicking the tyres on accounts at carbon-intensive companies, where we would expect additional disclosures relating to how climate factors were considered in key accounting assumptions. For Sarasin's identified list of high climate-risk holdings, we voted against 76% of auditor reappointments due to a lack of evidence that the auditors had met our expectations. We also voted against the approval of 60% of annual reports and accounts for this list of carbon-risked entities.

SUBMITTING FORMAL COMPLAINTS TO REGULATORS

Where a breach has occurred, for instance inadequate shareholder disclosure, misrepresentation or poor treatment of a stakeholder, then a complaint to the relevant regulator may be an appropriate tool to drive change. We did not perform any such actions in 2022, but are planning two in 2023.

PUBLIC STATEMENTS

Depending on the situation, a public statement by one or more shareholders challenging a company's or director's actions, or that of other key market players, can help draw broader market scrutiny and prove effective in generating a response.

For example, following engagement we escalated our proxy action at NextEra in 2022 by pre-declaring our votes against the company's Executive Chair and Lead Director (see the case study overleaf). We similarly pre-declared our votes at the annual general meetings (AGMs) of Equinor (see **Principle 12**), CRH, Air Liquide and Rio Tinto.

Another example of our use of a public statement was where we released the letters we coordinated with other investors to the Big Four audit firms in November 2022, in anticipation of the 2023 annual reports and accounts. We issued a statement on our website alongside the letters, highlighting the most recent regulatory guidance and supervisory notices. Additionally, we stressed the vital importance of auditors playing a proactive role in making sure companies' annual reports and financial statements provide 1.5°C-sensitivity analysis.

LITIGATION

While there are frequently high hurdles to overcome in any legal action, in extreme cases it may be appropriate to consider legal action against directors – or supporting someone else in their legal action – for failures to uphold, for instance, their fiduciary duties. The threat of legal action can also prove influential.

None of the actions should be taken lightly. At every stage we ensure proper internal debate and challenge, weighing up the benefits and costs. Where appropriate, we seek legal guidance.

Our effectiveness depends on building our reputation for accurate analysis, our commitment to long-term sustainable returns and our integrity, so we need to move forward with any engagement carefully. But, as already highlighted, we believe that investors have a responsibility to hold directors and auditors to account. We will speak out against poor behaviour and we do not avoid necessary challenge.

Where appropriate, we seek partnership with third parties, including civil society actors. We also routinely review our investment thesis to ensure our holding remains appropriate.

GEOGRAPHICAL DIFFERENCES

Our escalation methods do not differ among funds or strategies. However, while we view our ESG expectations as universal, our approach to implementation will at times reflect geographical specificities. Also, we may prioritise certain markets as a practical measure in certain cases and, as we gain experience, extend them to cover other markets.

For instance, before 2022 we had a gender diversity requirement only applying to developed countries (ex-Japan); it was 30% of women on boards (25% before 2021). In 2022, we made this requirement global, including emerging economies. In the UK, however, the requirement was 33% in reflection of the requirement of the 2016 Hampton Alexander review for FTSE 350 boards by 2020. Starting from 2023, it will be 40% at least, and at least one woman in a senior executive position, in line with the Parker Review requirements.

Additionally, in 2022 in the UK and the US (prioritising large-cap companies), we started voting against the nomination committee chair if a board does not have any ethnic minority directors. From 2023, we will add Canadian companies.

Another example relates to our expectation for senior executive shareholding requirements. Generally, we believe that top executives should have a significant portion of their overall wealth held in shares during their employment and for some time thereafter. While across the world we apply the threshold requirement of 400% of base salary for CEOs, in the US – due to typically lower levels of fixed pay and higher levels of variable – we apply a higher threshold requirement of 600% to achieve the goal.

Specifically, in Japan, where shareholder value creation is typically not a high priority for the boards, we will vote against all executive directors if a company has had an average return on equity of less than 5% over the past three years.

CASE STUDY: NEXTERA

THE ISSUE

As one of the largest power utilities in the US, and also the leading investor in renewables, NextEra has arguably been at the forefront of driving the energy transition for many years. A key aspect of NextEra's Florida business, which accounts for the majority of its earnings, was the replacement of expensive coal-fired power with cleaner gas and, increasingly, renewable energy as the latter's costs came down. Notwithstanding its lower-carbon positioning versus peers, on an absolute basis the bulk of NextEra's generation remains natural gas, meaning it was one of Sarasin's most carbon-intensive holdings. At the same time, it was reluctant to make a commitment to decarbonise its power generation in line with global efforts to combat climate change. For this reason, NextEra was a priority under our Paris-alignment initiative.

THE GOAL(S)

Our engagement with NextEra was intended to protect and enhance client capital by pressing NextEra to position itself more strongly with a 1.5°C pathway by:

- Making an explicit net-zero commitment for 2050, supported by nearer term (and science-based) milestones and incorporating all emissions including methane leakage;
- Updating their strategy and planned capital expenditure to support the above targets; and
- Committing to ensure all lobbying and policy outreach is supportive of the Paris goals.

WHAT WE DID & WHAT WE ACHIEVED

Our engagement with NextEra began in 2018. The company proved to be reluctant to make a net-zero commitment and take the necessary strategic steps to decarbonise more quickly, even when its more carbon-intensive peers stepped forward.

We identified governance weaknesses in the course of our engagement that became a focus of our work. Specifically, we became concerned about the dominance of the Executive Chair, lack of independent challenge from non-executives on the board, and threats to auditor independence from Deloitte's long tenure of over 70 years. In short, internal and external controls over the executive seemed weak.

The timeline overleaf highlights actions we took, alongside milestones and impacts achieved.

ENGAGEMENT: IMPACTS & INVESTMENT INSIGHTS

EXAMPLE OF NEXTERA ENERGY

SARASIN ACTION
Feb 2018
Letter to Executive Chair asking for Paris Commitment

SARASIN VOTING ESCALATION
May 2020 AGM
Voting against directors including Chair on climate grounds, alongside concerns over entrenched board and auditor, as well as CEO pay

SARASIN ACTION
Feb 2021
Collective investor call with Executive Chair. Committed to improve disclosure (TCFD and CDP); ready to make a net-zero commitment in coming months

CORPORATE MILESTONE
June 2019
Letter from Chair stating appointed cross-functional team to explore additional commitments

CORPORATE IMPACT
July 2020
Updated climate targets: 67% carbon intensity reduction by 2025 from 2005 baseline; commitment to phase out coal. Investing in research and development for net zero

SARASIN ACTION
Q1&Q2 2022 AGM
Collective letter to Lead Independent Director (LID) seeking meeting and commitment to net zero. Request declined.
AGM: 1) Co-filed shareholder resolution, 2) Pre-declared vote against Chair and LID

Added to Global Buy List — 2018 — 2019 — 2020 — 2021 — 2022

SARASIN ACTION
March 2019
Second Paris Commitment letter following conversations with CFO and IR seeking net-zero commitment & Paris-aligned accounting

SARASIN ACTION
July 2020
Third letter to Chair: align with Paris goals; Paris-aligned accounts; Board refresh and auditor rotation

SARASIN VOTING ESCALATION
May 2021 AGM
Voting against directors on climate grounds (abstained on Chair), alongside concerns over entrenched board and auditor, as well as CEO pay

SALE
Q3 2022
Ongoing refusal of access to non-executive directors & growing allegations of illegal political financing and vote manipulation; potential Department of Justice investigation

CORPORATE IMPACT
Spring 2019
Announced a 65% carbon intensity reduction target by 2021 from 2001 baseline

SARASIN ACTION
Dec 2020
Became CA100+ co-lead, coordinated collective investor letter of >$2 trillion to Executive Chair seeking 2050 Net Zero commitment, including scope 3

CORPORATE IMPACT
Q2 2022
Real Zero by 2045 commitment published in June, with interim targets, and supported by strategic pivot

ENGAGEMENT TOPICS
- ✓ Net-Zero commitment & Paris-aligned strategy
- ✓ Capital deployment to fossil fuels
- ✓ Board structure: Director tenure, % of independent, number of directors

IMPACTS TO DATE
- ✓ Carbon intensity target equivalent to 40% reduction by 2025
- ✓ TCFD and CDP reports published in 2021
- ✓ 2045 Real Zero commitment published in June 2022

INVESTMENT INSIGHTS
- ✓ Board insularity & lack of challenge
- ✓ Excessive concentration of power in Executive Chair
- ✓ Questions over internal controls, political manipulation and regulatory capture

The key elements of our escalation included:

- **Coalition building:** Sarasin became a co-lead for the Climate Action 100+ (CA100+) engagement with NextEra at the end of 2020, following two years of slow progress. We coordinated collective letters and meetings with the Executive Chair.
- **Vote escalation:** We applied our climate voting policy from 2020, voting against the Executive Chair, other directors, the auditor and remuneration.
- **Pre-declaration of votes:** We pre-declared our votes against a number of directors and the auditor on our website prior to NextEra's 2021 and 2022 AGMs.
- **Letter to Lead Independent Director:** We sought direct communication with the non-executive directors through the Lead Director in 2022. Our request for a meeting was repeatedly declined, raising further concerns over governance.
- **Shareholder resolution:** Ongoing lack of progress led Sarasin and CalPERS to co-file a shareholder resolution at NextEra's 2022 AGM. This resulted in increased engagement by the company and a commitment that they would make a public net-zero commitment. We withdrew our resolution and were pleased to see NextEra declare its 'Real Zero by 2045' goal at its Capital Markets Day in June 2022.

SALE OF SHARES

Notwithstanding the ultimate success in achieving a 'Real Zero' commitment from NextEra, the process served to heighten our governance concerns. Media reports in Florida throughout 2022 alleging illegal political interference and regulatory capture by NextEra's Florida subsidiary, culminating in a letter from Congresswoman Castor to the Department of Justice seeking an investigation, only added to a sense of inadequate internal controls.

We exited our positions in late 2022. In January 2023, the Federal Election Commission announced its own investigation into NextEra and the CEO of the Florida business resigned. NextEra's share price fell 12% over the following week.

While the situation remains unresolved, this case offers an example of not just how we deliver an engagement goal through thoughtful and determined escalation work, but also how our stewardship work provides insights that ultimately protects client capital.

CASE STUDY: US SOLAR FUND (USF)

Holding in Alternatives

THE ISSUE

The performance of USF has been poor. Since the April 2019 listing, the company faced a number of inter-linked issues, including execution issues, frequent management changes and in 2020 it was a victim of fraudulent payment instruction. In addition, the Investment Adviser's parent company sold all its shares in USF. The USF Investment Adviser's Australian listed vehicle also saw its shares trading below net asset value (NAV). These issues, combined with increasing concerns over the rising level of competition in the solar sector, weighed on the company's share price. While some of the issues could be attributed to external events, we identified an overall failure of governance. Specifically, the board failed to decide on and communicate a clear strategy for shareholders.

THE GOAL

We were keen to challenge USF's Board to articulate a clear strategy for growing the company, or explore winding up the fund to return cash to shareholders.

WHAT WE DID

We engaged with USF since its listing and intensified our dialogue in 2022. Altogether we had seven interactions with the Board, including calls and letters.

In May 2022, we highlighted our concerns and articulated our intention to vote against all the items of the AGM agenda to signal our dissatisfaction with the lack of effectiveness of the Board in overseeing the execution of the strategy. Following reassurance from the Board committing to speedy action in finding solutions to recover shareholder value, we withdrew from the dissident voting.

However, ongoing exchanges following the AGM failed to deliver on the Board's commitments. The promised timeline slipped and there was inadequate disclosure on steps being taken. In response, we built a coalition with two other large investors to send a collective letter to the Chair, articulating our preferred strategy and a deadline for the process. We held a few subsequent collective communications.

WHAT WE ACHIEVED

In response to our engagement, in mid-October 2022 USF published a Strategic Review and Formal Sale Process document, which highlighted that the Board would consider all available options, including a sale of the entire issued, and to be issued, share capital of the company.

We have also seen better transparency and accountability from the board, providing a clearer vision for the future.

NEXT STEPS

We will continue to monitor the situation and where appropriate, apply pressure to the board to take further steps in defining their strategy.

PRINCIPLE 12

EXERCISING RIGHTS AND RESPONSIBILITIES

In this section we explain how we exercise vital shareholder and bondholder rights and responsibilities on behalf of our clients. Generally speaking, most attention is on shareholder rights, typically associated with voting at annual general meetings (AGMs). However, creditors also have rights and can exert a degree of influence over issuers to incentivise more sustainable behaviour. We highlight our approach to both, including details of our voting behaviour in 2022.

We vote on behalf of clients that delegate their voting rights to us. This represents around 79% of our assets under management. When we onboard new clients, the client manager establishes clients' voting instructions, which are passed to the operations team to set up the appropriate accounts with our proxy provider, Institutional Investor Services (ISS). The operations team undertakes semi-annual checks of the accounts with delegated voting rights.

Where clients choose to delegate their voting rights to us, they cannot override our voting policy. They can, however, choose an alternative voting policy that they would like us to implement for them. Only two of our clients have opted for such an alternative voting policy.

OUR VOTING POLICY SUPPORTS OUR APPROACH TO STEWARDSHIP

To ensure sound corporate governance, we believe it is essential that investors fulfil their responsibilities to monitor and hold executives to account. A key mechanism for shareholders to do this is by exercising their voting rights.

Our approach to governance and voting is outlined in our Corporate Governance and Voting Guidelines, which take account of the UK Corporate Governance Code as well as international guidance on governance. These guidelines outline our perspectives on common governance issues, including: board structure, composition and effectiveness; executive remuneration; audit, accounting and internal controls; capital structure and shareholder rights; as well as common environmental and social resolutions.

These guidelines are reviewed annually to ensure we continue to reflect advances in best practice. In December 2022 we updated our voting policy and in April 2023 we published a summary of these changes on our website.

SRD II DISCLOSURE NOTE

In line with Shareholder Rights Directive (SRD) II, the Financial Conduct Authority's (FCA's) Conduct of Business Sourcebook (COBS) rule 2.2B.7R requires Sarasin & Partners to provide an annual disclosure of its voting behaviour, an explanation of the most significant votes and reporting on the use of the services of proxy advisers. Sarasin & Partners must also publicly disclose how it has cast votes in the general meetings of companies in which it holds shares.

Under this principle, we describe our voting behaviour for 2022, provide examples with explanations for significant votes, and outline our use of the proxy advisory firm ISS.

For many items, we vote on a case-by-case basis. This includes almost all shareholder resolutions. The stewardship experts and analysts jointly review these to make decisions that are relevant to the specifics of the company's business model, its practices and our engagement experience.

Looking ahead, **the key changes in our voting policy for 2023** following our December 2022 review included:

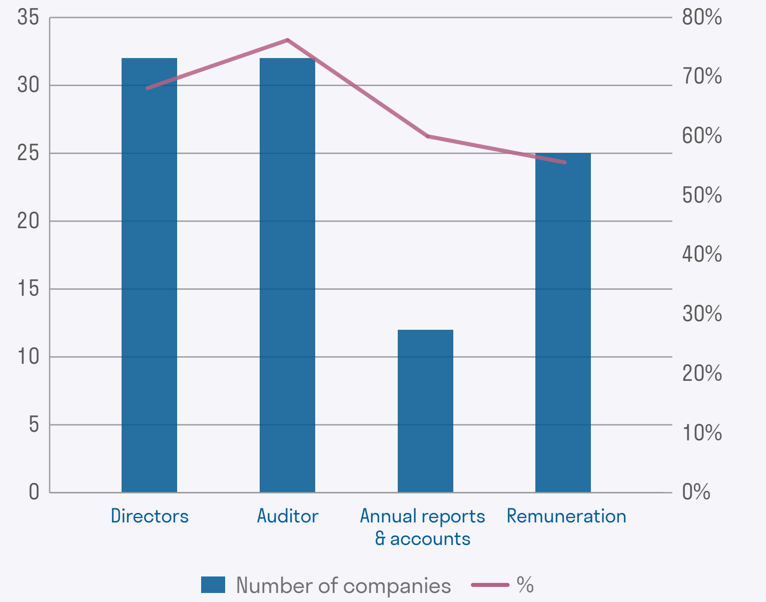
1. Promoting gender diversity: A new diversity rule for UK companies will require 40% board gender diversity and a woman at a senior position (the latter excludes AIM companies).
2. Promoting ethnic diversity: We're applying the ethnic diversity rule to Canada (S&P/TSX Composite).
3. Adding consistency on social items: Always support shareholder resolutions asking for gender / racial pay gap reports or racial equity audits.
4. Adding consistency in voting against chairs of committees in escalation cases (when voting against the relevant item for two consecutive years): Check for the responsible director(s) in a clear sequence of actions.
5. Expanding the list of case-by-case analysis: 1) Evaluate low-carbon transition plans for buy-list companies and any holdings of Climate Action100+ (CA100+) companies, and 2) resolutions proposing new share issuance at our buy-list companies.

In addition, in September 2022 we published our Net Zero Voting Policy for our Climate Amber watch list of portfolio companies. This was not a new policy, since climate change has been a consideration in our voting policy since 2018, but we wanted to draw public attention to the importance of using routine AGM votes (e.g. on directors, auditors, financial statements, remuneration) to convey concerns over climate inaction. We have further strengthened our climate voting policy this year with regard to holding the company chairs accountable where we see no robust transition plans or lack of process preventing lobbying against climate action.

Alongside the publication of our policy via social media and press coverage (for instance in the Financial Times), we were invited to present our policy to over 150 investors at an Institutional Investors Group on Climate Change (IIGCC) webinar in October. This policy is closely intertwined with our climate engagements and market outreach work, as outlined in **Principles 4** and **9-10**.

CLIMATE-RELATED VOTING IN 2022

Number and percentage of Climate Amber list companies where climate was key driver of against/abstain vote



Source: Sarasin covering AGMs 1 January - 7 November 2022

We employ a proxy advisory firm, ISS, to implement our voting policy. We do not, however, use their default voting policy. We monitor our votes, implementing a manual review of votes against the board proposals, items referred to us for a case-by-case consideration (e.g. shareholder resolutions), any controversial votes and votes linked to any ongoing engagement in our core buy lists.

We reviewed ISS's performance in 2022, and believe that the service remained strong. We identified fewer than 10 voting errors out of a total of 7,636 votes cast on resolutions.

Our voting principles tend to be more robust than ISS's default policy, which means that we tend to vote more frequently against board proposals, particularly on resolutions relating to remuneration, accounting and audit. During the 2022 voting season, we voted against management on at least one resolution in 96% of companies on our core buy lists; and we implemented different votes to ISS's default policy on just under 25% of resolutions.

WE DO NOT RIGIDLY APPLY OUR VOTING POLICY

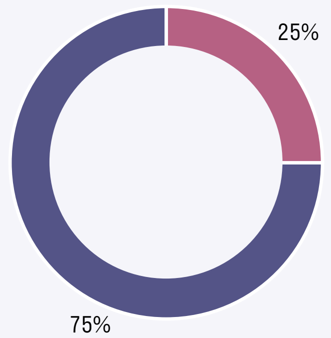
It would be impossible to foresee all situations, so we retain the ability to diverge from our voting guidelines where we can satisfy ourselves that this would be in our clients' best interests. For instance, we may conclude that the spirit of our policy requires a different approach in certain circumstances. Likewise, where we have an ongoing dialogue with a company and we believe a vote against the board could be counterproductive, we may alter our vote. Any divergence is clearly justified in our voting notes. As shown in the charts on this page, during the 2022 voting season we overrode our own voting policy in 3% of resolutions at our buy-list companies.

KEY FEATURES OF OUR 2022 VOTING

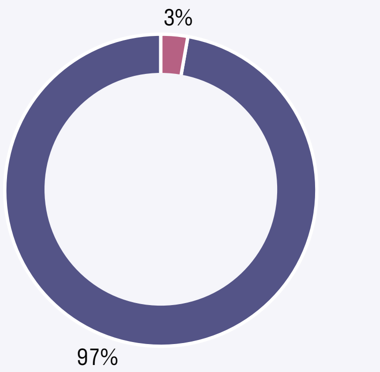
THOUGHTFUL VOTING POLICY

- Annual review
- Not a box-ticking exercise

25% of resolutions voted differently from ISS in 2022 proxy season.



Overrode our own voting policy or manually determined in **3%** of resolutions (approximately 50 resolutions).



VOTING INFORMS ANALYSIS AND ENGAGEMENT

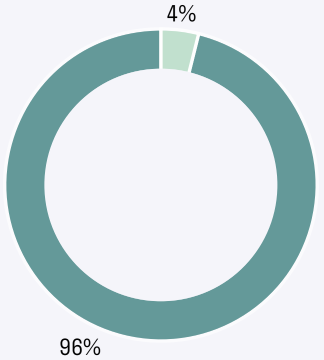
Email alerts to analysts / portfolio managers and stewardship team on **AGAINST** votes for core holdings inform stock analysis

Votes support our engagements – too often managers don't follow through with votes against management where problems exist

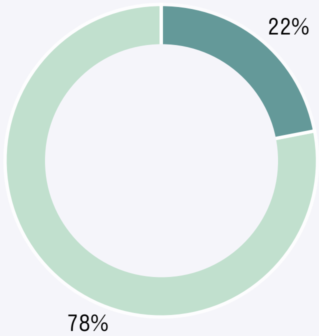
Votes inform investment case, e.g. where we vote against the auditor, we consider accounting risks in our analysis

WILLINGNESS TO VOICE CONCERN

In 2022 proxy season, votes against management in **82** out of **85** company meetings



We voted against management in **22%** of total resolutions



Higher vote against versus peers

Voting records published quarterly on our website

Note: Data relates to the global buy list as at 8.11.2022 (119 companies) for the proxy season 2022 (1 January – 7 November 2022)

Source: Sarasin & Partners, Proxy Insight, November 2022

VOTING IS INTERTWINED WITH COMPANY ENGAGEMENT

As previously highlighted, voting is a key part of our Ownership Discipline (**Principle 9**). We use our votes to reinforce key asks we make, and where the company response is inadequate, we may vote against specific directors or other resolutions. To ensure our votes and their rationales are communicated to boards, we have a programme of rolling out post-proxy letters to chairs or lead independent directors.

In 2022 we wrote to 54 companies, which were selected according to the significance of the voting issues identified and the materiality of our holdings. This was an increase on the 34 letters sent in 2021 (see **Principle 9** for a fuller discussion of this in the context of our ownership discipline).

In certain instances, companies may seek our input prior to a vote, for instance if they expect it to be contentious. If we have particular concerns or suggestions, we will communicate these to the chairman, senior independent director or the relevant board member (e.g. the remuneration committee chairman for remuneration matters, or audit committee chairman for accounting concerns).

We do not normally attend AGMs, as we have sufficient channels to raise our concerns with the company. However, if we believe a certain issue warrants high-profile attention by the board and the public, we will attend general meetings to raise our questions and concerns publicly. We will also pre-declare, or flag, key votes on our website prior to an AGM as an escalation tool, adding a spotlight on key areas of concern. In 2022 we pre-declared our votes on climate for NextEra, CRH, Rio Tinto, Air Liquide and Equinor (see case study overleaf). Other pre-declared votes can be viewed on our website.

OUR VOTING ACTIVITIES 2020-2022

We seek to vote on all shares held by our clients, unless there are impediments that make this too costly (see note below). We do not engage in stock lending, which could inhibit our ability to vote.

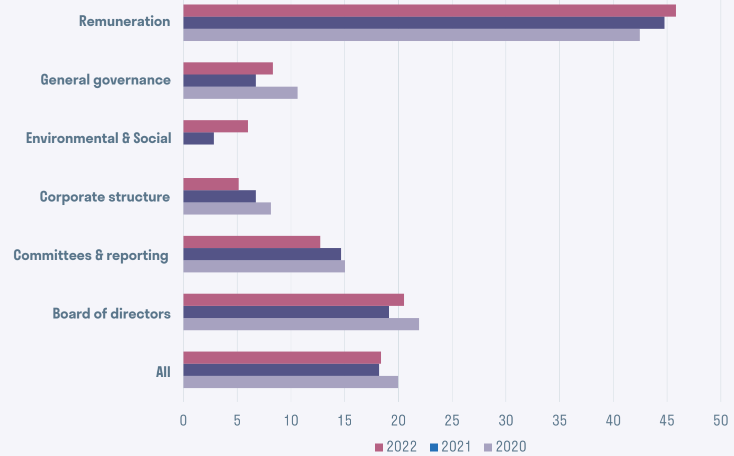
In 2022:

- We voted at 95.18% of our meetings and 95.79% of our resolutions*.
- We voted against management (including 'abstain' votes) in 22.2% of resolutions. In 2021, the figure was 20.8%, and in 2020 it was 22.8%.

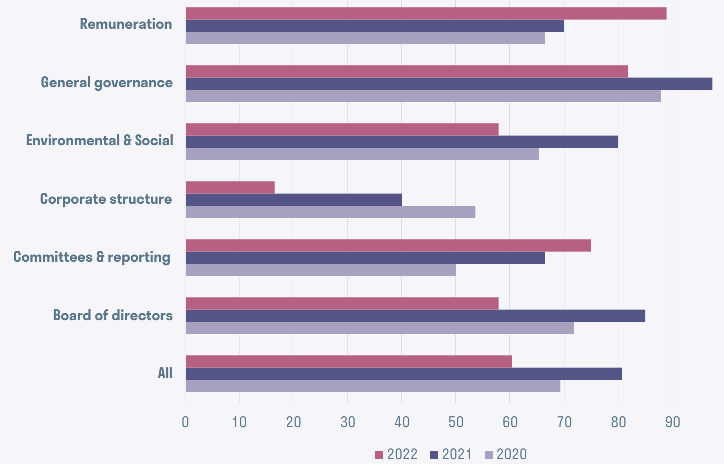
*Note: Votes we did not implement were primarily due to Power of Attorney and/or share-blocking arrangements in key markets, which introduce additional costs and limits on trading during the share-blocking period. In these cases, we will consider the costs and benefits of implementing our votes. Where we have an important ongoing engagement and believe the vote to be a key lever for change, we may decide to take the necessary steps to exercise our voting rights.

A summary of our votes in each category of resolutions is provided in the following charts.

MANAGEMENT RESOLUTIONS (% AGAINST)



SHAREHOLDER RESOLUTIONS (% FOR)



FOR FURTHER INFORMATION ON HOW WE VOTE, PLEASE VISIT OUR WEBSITE, WHERE WE PUBLISH ALL OUR VOTES AND RATIONALES QUARTERLY.

CASE STUDY: PRE-DECLARING OUR VOTE AT EQUINOR

AN ABBREVIATED EXTRACT

EQUINOR'S CLIMATE TRANSITION PLAN IS NOT GOOD ENOUGH & HOW WE ARE VOTING FOR NET-ZERO ACCOUNTING

A leading global oil and gas company Equinor has published a detailed Transition Plan setting out how it will deliver its net zero by 2050 ambition. This is a critical document for shareholders as it is Equinor's road map for reinventing itself in a carbon neutral world. It is also a critical document for the world as, alongside other carbon-intensive companies' Transition Plans, it tells us how the promise of climate stability might actually be achieved. Shareholders have the opportunity at the coming AGM to vote on whether it is good enough.

Notwithstanding the positive steps that Equinor's leadership is proposing to take, as a shareholder on behalf of our clients, Sarasin & Partners will reject this plan. We will also vote against the annual report and audited financial statements, as well as against remuneration for the auditor – all on climate grounds.

A 'go-slow' transition is not good enough – The central problem is that it is a 'go-slow' Transition Plan, rather than one designed to show the world how oil and gas majors can become clean energy titans. What matters most in any Transition Plan is capital expenditure. [The Transition Plan] leaves up to 50% of capex – amounting to tens of billions of dollars – flowing into fossil fuels. Consequently, it forecasts that in 2030 roughly 90% of its total production volumes will still be oil and gas. The International Energy Agency (IEA) has stated unequivocally that if the world is to achieve a 1.5°C-outcome, there can be no new oil and gas fields (as stated in the IEA analysis Net Zero by 2050). Equinor's plan makes no such promise.

Stranded asset risk: Under a net-zero pathway envisaged by the IEA, Equinor states clearly that its existing portfolio could see 34% of Net Present Value written down. That should be a red flag for long-term shareholders: Equinor is over-investing in activities that are not aligned with a 1.5°C-pathway, and thereby putting capital at risk.

What about the accounts? Equinor's latest audited accounts provide increased disclosures on how it has considered accelerating decarbonisation and its own climate commitments. It assumes that current expected decarbonisation falls well short of a 1.5°C-pathway, and in this warming world, it does not need to change any of its critical accounting judgements, whether that is long-term commodity prices, asset lives, expected production volumes or assumptions linked to asset retirement obligations. Given these assumptions, not surprisingly, it has no climate-related impairments to report. [Equinor's] 1.5°C commodity price stress test for its upstream assets… suggests a potential $7bn impairment, or c.10% of its reported Property Plant and Equipment (their largest reported asset), [significantly less than their Transition Pan estimates – above].

Auditor tells us too little – Turning to the auditor, EY makes no comment on whether the financial statements reflect Equinor's net-zero ambition, or medium-term targets. Do these not have a bearing on their assessment of the veracity of the accounts? Auditors have been clear at other oil and gas majors such as Shell (who EY also audits) and BP that this is a material consideration. Why is Equinor different?

OUR VOTES AT EQUINOR'S 2022 AGM

Note: As there is no vote on the Audit Committee or Auditor at Equinor's AGM, we have focused on the most relevant alternatives.

- **Energy Transition Plan** (Resolution 10) – Against. While we support the publication of a clear plan to achieve Equinor's stated net-zero ambition, we cannot support a plan that fails to align with a 1.5°C pathway. Put simply, Equinor's needs to shift its capital expenditure more quickly into clean solutions, and also more quickly away from carbon-intensive infrastructure. Where Equinor cannot find earnings accretive options, it should return cash to shareholders.
- **Annual Report & Accounts** (Resolution 9) – Against. While we welcome increased disclosures in the financial statements, including a new Note on climate considerations, the disclosures remain partial. We are unclear how remaining asset lives, expected production volumes and the timing of asset retirement obligations are consistent with Equinor's stated climate targets. We welcome the 1.5°C sensitivity analysis (suggesting a potential $7bn impairment) but this seems low when compared to its parallel sensitivity for a 30% reduction in commodity prices ($9bn). We cannot establish whether it has included the impacts for all balance sheet items beyond property plant and equipment, or whether it considered impacts beyond lower commodity prices and carbon taxes (such as shorter asset lives etc).
- **Approval of remuneration for the company's external auditor** (Resolution 22) – Against. We welcome the climate commentary in EY's Key Audit Matter on "Recoverable amounts of production plants and oil and gas assets including assets under development". However, it makes no mention of how it considered climate risks for their Key Audit Matter on AROs. Moreover, EY does not comment on whether the financial statement reflects Equinor's net-zero ambition, or medium-term targets, which we would expect to have a bearing on its assessment of the veracity of the accounts.

Source: Extract from pre-declaration in Equinor 2022 AGM – Voting for net zero.

VOTING PROCESS

Voting decisions are embedded within the asset management team rather than undertaken as a siloed activity by the stewardship team. This is important to ensure we are as fully informed as possible in taking more complex decisions. We also believe the insights gained from being involved in the voting and associated engagement process enhances our investment decision-making as outlined under **Principle 7**. For instance, where we vote against directors or remuneration, this would feed into the governance element of our Sustainability Impact Matrix (SIM) assessment for that entity.

During proxy voting season, where our voting policy is expected to deliver a vote against an investee company or an item on the agenda is referred to us for further consideration, an ISS alert is sent to the company's research analyst, portfolio manager and – in the case of a referred item or company on our active engagement list – the stewardship leads. These individuals will review the vote to determine what action is in our clients' best interests. As inputs into this process, we will draw on our engagement experience, company disclosures, ISS research, MSCI ESG research, broker/independent research and, where pertinent, keep a close eye on views of government officials, non-governmental organisations and other influential stakeholders. We may also seek additional inputs from the company and reach out to co-shareholders to share perspectives.

STEWARDSHIP OUTCOMES

While we are often not alone in pressing for change, and are therefore cautious about claiming that our activities alone have generated a positive outcome, where we are the lead investor and have built coalitions behind our efforts, we seek to identify the related impacts.

Examples we have outlined in this and previous reports include our engagement effort on net-zero aligned accounting and audit with Shell, BP, Air Liquide, Rio Tinto, CRH, Equinor and Enel (see **Principles 9, 10 and 11**). In these cases, we subsequently saw substantial improvements in the disclosure of climate risks in financial statements and, in several cases, changes to critical accounting assumptions resulting in asset impairments.

At NextEra, in response to the proposed shareholder resolution calling for an explicit net-zero commitment that we co-filed with other shareholders, the board agreed with the key demands and in Q2 2022 published its a 'Real Zero' commitment (see case study in **Principle 11**).

In several companies where we voted against the chair of the nomination committee in previous years, we have seen improvement in the board gender diversity in 2022. Examples include SGS, Teleflex, Crown Castle, Alibaba Group, TE Connectivity, and American Tower.

REPORTING: WE DISCLOSE OUR VOTING ACTIVITY QUARTERLY

A summary of our voting record and profiles of significant company votes are sent to clients quarterly, and more often when requested (see **Principle 6**). These disclosures are also available through our client portal.

We publish a full record of all our company votes quarterly, including the relevant rationales, on our website.

Examples of some significant votes reported to clients are reproduced overleaf.

EXAMPLES OF VOTE REPORTING IN 2022

COMPANY	DATE	RESOLUTION	HOW WE VOTED FOR YOU	RESULT
Amazon.com	May 25, 2022	Publish a tax transparency report	For	Failed

We supported a shareholder resolution asking Amazon to publish a Tax Transparency Report. This resolution was coordinated by stewardship consultant PIRC and specifically asked Amazon to adopt country-by-country reporting (CbCR) under the new Global Reporting Initiative (GRI) Tax Standard enacted in 2021.

Fair tax is a focus in our Amazon Engagement Plan 2022. We communicated to the company that we wish to see the standardised GRI-based CbCR, rather than the existing piecemeal data on tax paid in specific countries. While we have seen improvements in Amazon's tax-related disclosures since we started our engagement, we believe these are still insufficient.

Percentage of votes cast for the resolution: 17.5% for, 82.5% against.

COMPANY	DATE	RESOLUTION	HOW WE VOTED FOR YOU	RESULT
Bank of Nova Scotia	April 5, 2022	Advisory vote on executive compensation approach	Against	Passed

We did not support the remuneration policy due to concerns that bonuses or long-term incentive plans (LTIP) can be awarded even where the bank's financing activities are not aligned with a net-zero commitment. We also withheld support for the Chair of the Remuneration Committee due to the same concerns. In our previous engagements, we have encouraged the board to consider introducing a net-zero commitment to protect against bonuses being paid for climate harm.

We engaged with the CFO following the vote. Bank of Nova Scotia had participated in the Bank of Canada's climate stress testing. However, there is still no disclosure of the results, and neither is there mention of how climate is considered in the credit provisioning of the financial statements. We will continue our engagement focusing on full alignment of the company practices with the net-zero commitment, including the executive remuneration policy and its financial statements.

Percentage of votes cast for the resolution: 93.6% for, 6.4% against.

COMPANY	DATE	RESOLUTION	HOW WE VOTED FOR YOU	RESULT
DS Smith	Sept 6, 2022	Re-elect Geoff Drabble as Director (Chair)	Abstain	Passed

We have a long-standing concern that the CEO, Miles Roberts, is on the Nomination Committee. Last year we considered abstaining on the reappointment of the Chair, who also chairs the Nomination Committee, but chose not to, as he was new to the post and we wanted to give him the chance to address this. Since then, no steps have been taken, so we decided to abstain.

We engaged with DS Smith three times in the last 12 months. The focus areas included board composition.

Percentage of votes cast for the resolution: 88.3% for, 11.7% against.

Source: Sarasin & Partners, 2022

FIXED INCOME

Although creditors do not have a vote at company AGMs, they exercise bondholder rights and responsibilities in the following ways:

PRE-ISSUANCE ENGAGEMENT

First, creditors engage with issuers prior to issuance. As detailed under **Principle 9**, we often meet with management to discuss various aspects of upcoming issuance. This will typically involve discussions surrounding aspects of the prospectus. It may also focus on the terms of other indentures or security trust and intercreditor deeds (STIDs), which outline terms relating to, for instance, coupon payments, redemption, any covenants (like certain debt leverage), reporting schedules, issuer rights and bondholder rights, as well as voting rights for amendments.

We will specifically seek to discuss the creditworthiness of the issuer, management strategy or information disclosure commitments. ESG forms part of these discussions, particularly with respect to green bonds, where we closely scrutinise the use of proceeds and incorporate ESG analysis in our investment decision.

VOTE ON MAJOR CORPORATE ACTIONS

Second, creditors are often able to vote on major corporate actions. These offer an important point of influence for creditors, especially since the threshold for approval is usually around 75%.

We consequently conduct detailed due diligence on any proposed amendments to existing indentures we hold, especially where this involves any weakening of the indenture language or protections. We reply to these on a case-by-case basis to ensure we vote for the best outcome for our clients. In some cases, it may be an early tender at advantageous pricing, or an amendment due to an accounting change, in which case we would generally approve.

Other cases can be more difficult, and we have had instances where we have not accepted corporate actions. The decision to exercise our rights and responsibilities is taken by the Fixed Income team as a group.

In 2022 we faced six corporate actions demanding votes at non-financial issuers, and we consented on two (Orange and GlaxoSmithKline Capital). If a corporate action is immaterial, we do not vote. This allows us to retain liquidity because securities are generally not tradable while they are involved in corporate actions. Additionally, we faced three corporate actions for financials asking votes (Deutsche Bank, Investec Bank and Lloyds Bank), and we consented on all three.

For example, in August 2022 Lloyds Bank plc launched a tender offer to repurchase any and all of its £750,000,000 7.625% Dated Subordinated Notes due in 2025. Lloyds made the tender offer as part of the group's continuous review and management of its outstanding capital base. The tender offer corresponded to an attractive spread relative to similar or higher-ranking securities. Therefore, we voted in favour of the tender offer and took the opportunity to reinvest in a cheaper instrument.

ONGOING MONITORING AND ENGAGEMENT

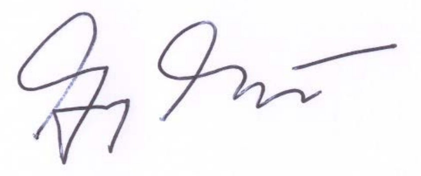
As credit investors we constantly analyse and review our rights for any indentures we hold in light of the issuers' creditworthiness. As we seek to avoid default and any event where we would be in a position to have a claim against the assets of an issuer (breach of covenants, for example), we always seek to determine the value of the assets backing indenture issues and overheads over covenants. This takes the form of analysing issuer publications (including financial modelling) as well as ongoing direct engagements with issuers and the wider investment community.

APPENDIX – LIST OF COMPANIES ENGAGED IN 2022

Company name	Number of goal-linked activities (GLAs)
3I GROUP PLC	2
3I INFRASTRUCTURE PLC	5
ACTIVISION BLIZZARD INC	3
AIA GROUP LTD	6
AIR LIQUIDE SA	19
ALPHABET INC-CL A	4
ALSTOM	6
AMAZON.COM INC	26
AMERICAN TOWER CORP	3
AMGEN INC	4
APAX GLOBAL ALPHA LTD	3
ARAMARK	3
ASML HOLDING NV	2
ASSOCIATED BRITISH FOODS PLC	2
ATRATO ONSITE ENERGY PLC	13
BANK OF NOVA SCOTIA	9
BARRATT DEVELOPMENTS PLC	2
BBGI GLOBAL INFRASTRUCTURE S	3
BELLWAY PLC	3
BIOPHARMA CREDIT PLC	2
BLACKROCK INC	9
BRIDGESTONE CORP	1
CHARTER COMMUNICATIONS INC-A	5
CME GROUP INC	8
COLGATE-PALMOLIVE CO	5
COMPASS GROUP PLC	2
CORDIANT DIGITAL INFRASTRUCT	3
CREDIT SUISSE GROUP AG	2
CRH PLC (LN) GBP	11
CROWN CASTLE INC	7
CVS GROUP PLC	1
DAIKIN INDUSTRIES LTD	4
DEERE & CO	15
DS SMITH PLC	7
ECOLAB INC	3
ENEL SPA	7
EQUINIX INC	3
EQUINOR ASA	11
ESSILORLUXOTTICA	4
FIRST REPUBLIC BANK/CA	5
GIVAUDAN-REG	1
GRESHAM HOUSE ENERGY STORAGE FUND	4
GSK PLC	1
HALMA PLC	3
HDFC BANK LTD-ADR	8
HOME DEPOT INC	1
HOME REIT PLC	24
HSBC HOLDINGS PLC	11
ILLUMINA INC	3
INTERNATIONAL PUBLIC PARTNERSHIP LTD	3
INTL FLAVORS AND FRAGRANCES	12
JACK HENRY & ASSOCIATES INC	1
JPMORGAN CHASE & CO	15
KONINKLIJKE DSM NV	5
LANCASHIRE HOLDINGS LTD	1
LEGAL & GENERAL GROUP PLC	12
LIFE SCIENCE REIT PLC	4
LLOYDS BANKING GROUP PLC	3
LONDON STOCK EXCHANGE GROUP	15
MASTERCARD INC - A	4
MEDICAL PROPERTIES TRUST INC	2
MEDTRONIC PLC	1
MICROSOFT CORP	1
MIDDLEBY CORP	7
MOLTEN VENTURES PLC	2
MOODY'S CORP	2
NATIONAL INSTRUMENTS CORP	4
NESTLE SA-REG (CHF)	1
NEXTERA ENERGY INC	25
OAKLEY CAPITAL INVESTMENTS	2
OCTOPUS RENEWABLES INFRASTRU	3
OTIS WORLDWIDE CORP	5
PAYPAL HOLDINGS INC	5
RECKITT BENCKISER GROUP PLC	2
RENEWABLES INFRASTRUCTURE GROUP	3
RIO TINTO PLC	10
ROYAL DUTCH SHELL PLC-A SHS (EUR)	11
SAMSONITE INTERNATIONAL SA	4
SCHIEHALLION FUND LTD/THE	4
SCHNEIDER ELECTRIC SE	6
SEQUOIA ECONOMIC INFRASTRUCT	3
SERVICE CORP INTERNATIONAL	3
SGS SA-REG	4
SHIMANO INC	6
SIEMENS AG-REG	10
SMITH & NEPHEW PLC	3
SONIC HEALTHCARE LTD	1
SPLUNK INC	8
SSP GROUP PLC	4
SVB FINANCIAL GROUP	3
SYNCONA LTD	1
TAIWAN SEMICONDUCTOR-SP ADR	5
TAKEDA PHARMACEUTICAL CO LTD	17
TELEFLEX INC	4
UNILEVER PLC (EUR)	6
UNITE GROUP PLC/THE	5
UNITED PARCEL SERVICE-CL B	7
US SOLAR FUND PLC	7
VH GLOBAL SUSTAINABLE ENERGY	4
WALT DISNEY CO/THE	7
WEYERHAEUSER CO	15
Total	**587**

APPROVAL

This report had been approved by



Guy Matthews, Managing Partner
on behalf of the Board of Sarasin & Partners LLP

Natasha Landell-Mills, chair of Stewardship Steering Committee
of Sarasin & Partners LLP

Date: Effective April 2023

ABOUT THE UK STEWARDSHIP CODE

The UK Stewardship Code 2020 sets high stewardship standards for asset managers, asset owners and service providers. It defines stewardship as the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries, leading to sustainable benefits for the economy, the environment and society.

The Financial Reporting Council (FRC) requires all signatories to the Code to publish an annual statement showing the extent to which they have complied with the Code, detailing how its principles have been applied and disclosing specific information. Our 2022 Stewardship Report serves this purpose, as well as meeting SRD II requirements and informing our clients and civil society organisations about our stewardship activities in 2022.

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The Charity Authorised Investment Funds are designed for registered charities only.

For efficient portfolio management the strategy may invest in derivatives. The value of these investments may fluctuate significantly, but the overall intention of the use of derivative techniques is to reduce volatility of returns.

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