VOTING FOR NET ZERO

APRIL 2023

SARASIN & PARTNERS

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

INTRODUCTION

In line with Sarasin & Partners' Net Zero Asset Management commitment, we align our voting policies with achieving a net zero by 2050 outcome, considered to be consistent with a 1.5°C temperature pathway. The policy includes the following six elements set out in this document:

1. STRATEGY
2. NARRATIVE REPORTING
3. FINANCIAL STATEMENTS
4. AUDIT
5. REMUNERATION
6. LOBBYING

Under each, for companies with material exposure to climate risks, and/or where their activities result in material climate impacts, we identify the most relevant routine votes available to shareholders at company Annual General Meetings in most jurisdictions. These normally include director appointment, auditor appointment, annual report and accounts approval, and remuneration approval (policy and / or report).

As for all our voting, we are committed to promoting responsible corporate governance that supports the delivery of enduring value for shareholders. This means value created in alignment with society, rather than at its expense. Our climate-specific voting rules are grounded in our belief that climate change is a core strategic and operational concern for carbon-intensive businesses and it should, therefore, be a factor in determining routine voting decisions. In short, directors and company auditors should be held to account for climate governance failures that put capital at risk.

Increasingly, management and /or shareholders are filing climate-related resolutions, such as votes on Net Zero Transition Plans (known as 'Say on Climate' votes). We will consider these targeted resolutions on a case-by-case basis, and support those that promote the long-term economic health of the planet and the business.

It is worth underlining, however, that these climate-related resolutions are an additional means to convey our support (or the opposite), not a replacement for using routine AGM votes to ensure robust governance. In the end, companies are governed by their directors and it is the directors who should be held to account by shareholders for their performance.

1 STRATEGY

A company's strategy sets out how it plans to reach its goals and deliver value

Our expectations

Given the gravity of the threat posed by climate change, we expect directors to make an explicit net-zero commitment to align their company strategy with the Paris Climate Agreement goals of keeping temperature increases to well below 2°C, and ideally to 1.5°C.

Directors need to explain how they will deliver on their net-zero commitment, with a published transition plan available, at least, to shareholders.

How we vote

For companies where we identify a material exposure to climate risks and/or where their activities result in material climate impacts, we will vote 'against' the chair where our analysis shows that the company has failed to align their strategy with net-zero emissions target(s).

Where the chair is not up for re-election, we will vote 'against' the lead independent director.

Where we have a 'Say-on-Climate' vote, we will assess the credibility of the transition plans on a case-by-case basis.

NARRATIVE REPORTING

Within company annual reports, the narrative report incorporates forward-looking elements such as management strategy, principal risks and uncertainties and other factors that might have a material impact on the company

Our expectations

Boards should ensure full disclosure of material climate risks that stem from the physical impacts of climate change, and transition risks linked to decarbonisation associated with delivering the Paris Agreement goals.

We look to companies to ensure they evaluate these risks, and communicate both their view of the materiality of their exposure, and – if material – how they are managing these risks, including their governance and strategy for delivering risk reduction goals.

As with other material factors, these risks should be clearly outlined in the statutory annual report to shareholders. We encourage companies to follow the guidance set out by the Task Force for Climate-Related Financial Disclosures (TCFD).

How we vote

For companies we deem to be materially exposed to climate-related risks, in our first year of voting, we will vote 'against' the Report and Accounts and 'abstain' on the re-election of audit committee chair where the company fails to disclose:

1) Their risk exposure;
2) The materiality of these risks for the business outlook, including the key results of any stress testing/scenario analysis that has been undertaken; or
3) How these risks are being managed to underpin long-term resilience and alignment with a 1.5°C-pathway

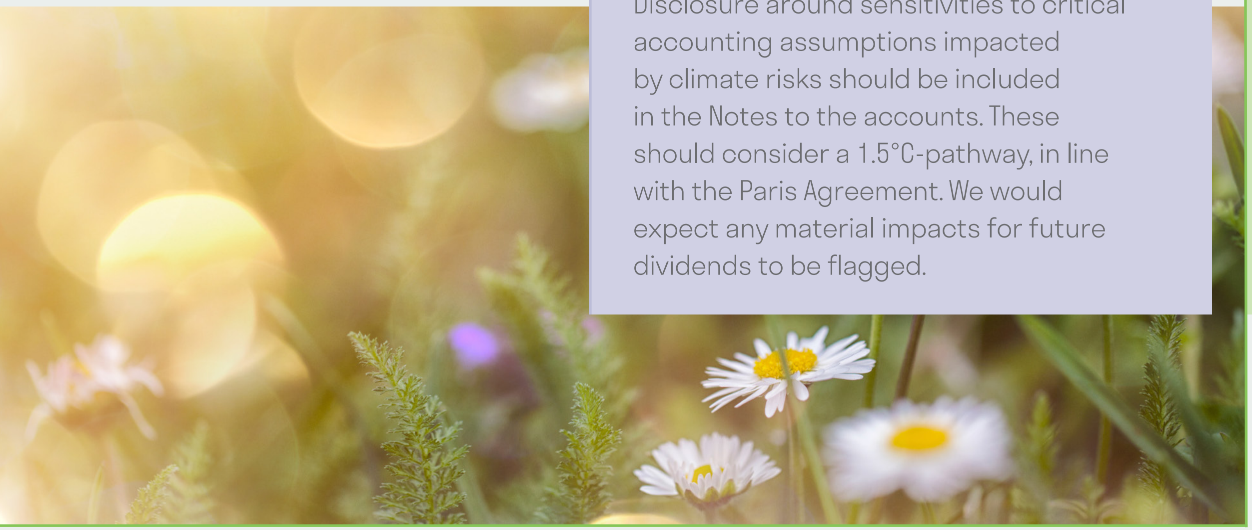
In the second year implementing our climate voting rules at a company, and following engagement on this topic, we will vote 'against' the audit committee chair and potentially other audit committee members where no improvement is made.

For UK companies, where climate risks pose a potential threat to long-term viability, we will vote 'against' the Report and Accounts and 'abstain' on or vote 'against' the audit committee chair (as above) where climate risks are not covered under the Long-term Viability Statement.

3

FINANCIAL STATEMENTS

Financial statements make up the second part of company annual reports and give shareholders a view of the company's financial health



Our expectations

Where climate risks result in material impacts for a company's financial outlook and accounting assumptions, e.g. related to impairments, asset retirement obligations or asset lives, we would expect these to be reflected in the financial statements.

Key accounting assumptions should be consistent with disclosures made in the narrative section of the Annual Report to shareholders.

Disclosure around sensitivities to critical accounting assumptions impacted by climate risks should be included in the Notes to the accounts. These should consider a 1.5°C-pathway, in line with the Paris Agreement. We would expect any material impacts for future dividends to be flagged.

How we vote

For companies that are likely to be materially impacted by climate risks, we will vote 'against' the Annual Report and Accounts and 'abstain' on or vote 'against' the audit committee chair (as above) where:

1) There is inadequate indication that critical accounting assumptions have been adjusted for relevant climate risks; or

2) There are no supplementary disclosures in the Notes to the accounts regarding how a 1.5°C-pathway has been considered.

We will furthermore vote against the Annual Report and Accounts and 'abstain' on or vote 'against' the audit committee chair(as above) where key accounting assumptions are inconsistent with assumptions used in the narrative part of the Annual Report.

In finalising our vote, we will also consider commentary in the audit committee's report to shareholders where relevant.

4

AUDIT

Public companies must ensure their accounts are audited by independent auditors, who are required to check if the company has prepared its accounts fairly and accurately

Our expectations

Shareholders rely on the auditor to alert them to potentially misleading financial statements. Where climate risks are likely to alter a company's economic prospects, the auditor should check that all key accounting assumptions and judgements remain reliable.

In jurisdictions where auditors must publish an extended report to shareholders (notably the EU, UK and the US), auditors should use this to alert investors to any dangers of mis-statement linked to climate factors; or inconsistencies between the narrative and financial disclosures.

We expect auditors to examine published sensitivities of critical assumptions to climate factors and, in particular, a 1.5°C-pathway and call out where they believe these are not sufficiently prudent. This should also consider dividend sustainability. Where these are not provided by the company, we expect auditors to alert shareholders to potential materiality.

How we vote

For entities materially exposed to climate risks, we will vote 'against' the reappointment of the auditor (and their remuneration where relevant) where they fail to detail how they have considered climate risks as part of the audit process; ensured consistency between narrative and financial statements; gained comfort that the assumptions used were appropriate; or alerted shareholders to potential mis-representation.

We will additionally 'abstain' on or vote 'against' (escalating in the second year of voting) where the auditor fails to provide commentary on how a 1.5°C-pathway has been considered and any material implications for the financial statements to this pathway. This should alert shareholders to any implications for dividend payments.

5

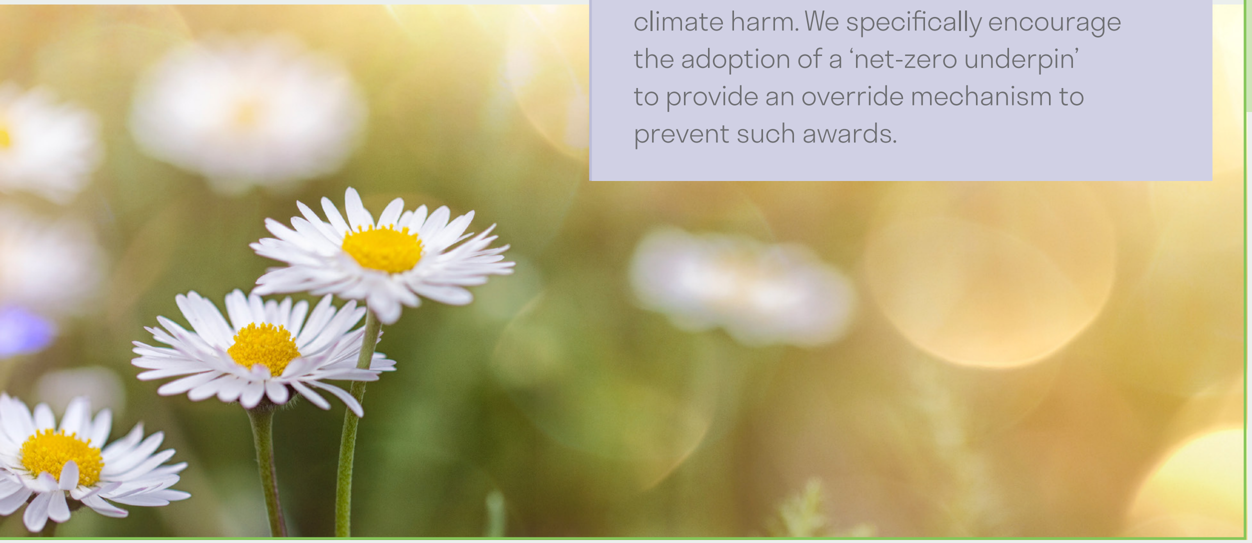
REMUNERATION

Shareholders often have the right to vote on executive remuneration policies and reports, which gives them an important say in how executives are incentivised

Our expectations

Executives should not receive performance-related pay where their behaviours contribute to global warming. Small adjustments to LTIPs or bonus schemes for climate factors may be overwhelmed by other earnings-based metrics that incentivise climate harm.

We expect remuneration committees to review remuneration policies in the round to ensure that pay is not awarded for climate harm. We specifically encourage the adoption of a 'net-zero underpin' to provide an override mechanism to prevent such awards.



How we vote

We will 'abstain' on remuneration policies and reports that fail to meet this expectation, permitting time for engagement with remuneration committees to build an understanding of our expectations .

We will consequently also 'abstain' on the reappointment of the remuneration committee chair in the first year of applying this policy and before engagement.

We will vote 'against' the remuneration committee chair and potentially other remuneration committee members if, following engagement, no improvement is made.

6

LOBBYING

Most companies engage in lobbying in order to influence governments to support policies that are favourable to them

Our expectations

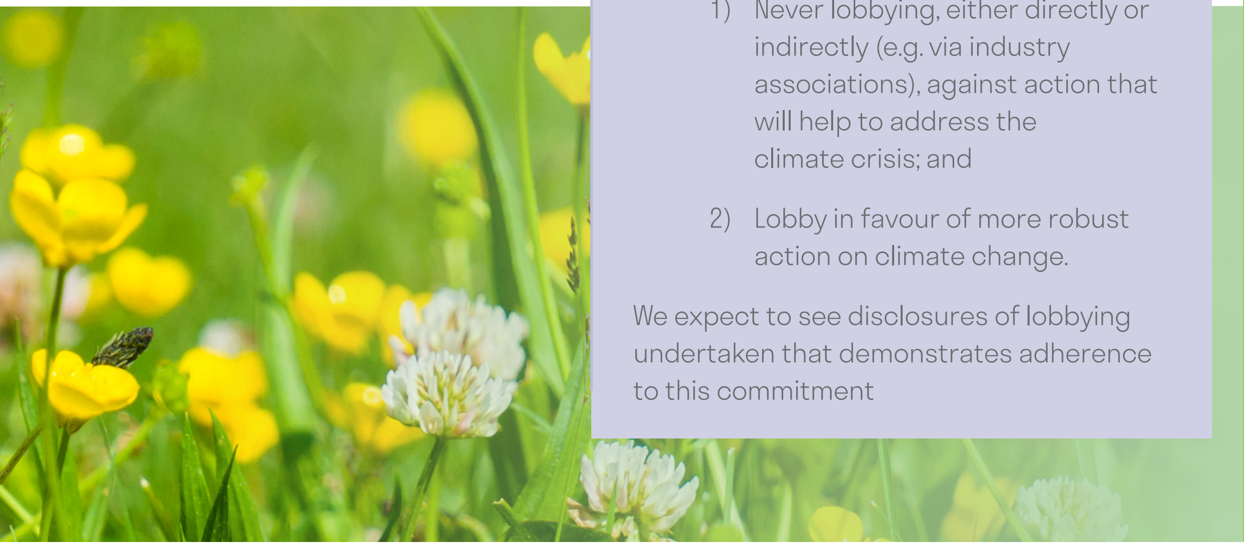
Policy prevarication severely hampers global action on climate change. Business lobbying can influence policy-making. Where lobbying contributes to government paralysis, this may help support corporate profits in the short term but harms societal – and thus company – interests in the long term.

We, therefore, expect boards to commit to:

1) Never lobbying, either directly or indirectly (e.g. via industry associations), against action that will help to address the climate crisis; and

2) Lobby in favour of more robust action on climate change.

We expect to see disclosures of lobbying undertaken that demonstrates adherence to this commitment



How we vote

We will vote 'against' the chair and potentially other directors where the company has lobbied against action on climate change and, following engagement, failed to address this problem.

We are looking for companies to positively affirm they will lobby in line with the Paris Agreement. Where this commitment is not forthcoming, or the entity has not undertaken to provide an independently assured lobbying report that demonstrates their lobbying has been consistent with the Paris Agreement goals, we will consider voting 'against' the chair on a case-by-case basis.

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