

WHAT RESPONSIBLE STEWARDSHIP MEANS AT SARASIN & PARTNERS

2021





WHAT RESPONSIBLE STEWARDSHIP MEANS TO US AND HOW WE IMPLEMENT IT

At Sarasin & Partners, we consider ourselves long-term stewards of our clients' assets. We take this responsibility seriously, and invest according to a set of core underlying principles.

CORE STEWARDSHIP PRINCIPLES

Our aim is to deliver enduring value for our clients in a way that is aligned with society.

We believe that sustainable companies will tend to create more durable economic value than companies that impose adverse impacts on society or the environment. Specifically, we favour businesses that articulate compelling long-term strategies, and take seriously their responsibilities to their customers, staff, suppliers, local communities, and the environment, alongside their shareholders and creditors.

Once we purchase an entity's shares or debt, we act as engaged owners on behalf of our clients, fulfilling oversight responsibilities including voting and challenging the leadership where concerns arise. While the tools for pressing for change often differ between shareholders and creditors, engagement is important in both cases.

We understand that the world is complex, that standards, rules and expectations vary between countries and communities, and the potential for unintended consequences is high. Our core investment principles guide our approach to investment and stewardship, but we avoid hard and fast rules in implementation.

We also believe that our clients' long-term interests are not best served by a narrow focus on shorter-term relative performance against a market index. Our stewardship work starts with our clients' needs and takes a holistic view of how to deliver absolute performance. Alongside our focus on finding high-performing sustainable investments, we seek to promote more sustainable government policies and market practices that rewards responsible businesses and lays the foundation for enduring prosperity for all stakeholders.

FROM PRINCIPLES TO PRACTICE

THREE PILLARS OF STEWARDSHIP

We put these principles into practice through our three stewardship pillars.

PILLAR 1

A robust global investment process focused on sustainable value drivers

For equities, we implement a thematic investment process focusing on companies that support significant societal trends such as combating climate change, 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.

Having identified entities well-positioned for growth and resilient to shifting environmental and social trends, we undertake detailed bottom-up analysis to identify those that will deliver enduring value. Environmental, social and governance (ESG) factors are considered at two levels. First, adverse environmental, social and governance impacts are identified using our Sustainable Impact Matrix to assess possible external harm caused by the entity. Second, the financial consequences of these ESG impacts are assessed alongside other value drivers in evaluating a company's prospects and thus its 'investment case'.

Often the two are intertwined. Companies' long-term success depends on strategies that sustainably deliver goods or services valued by customers, such that companies earn an attractive return, maintain their license to operate and prosper. A company's relations with core stakeholders, from employees, to suppliers, to regulators, to local communities to other groups that are impacted by (and may impact) the company's operations, as well as its environmental performance, are important considerations.

Negative screens may be applied for clients on request (see next page).

PILLAR 2

Active ownership

Fulfilling ownership responsibilities associated with investments held on behalf of clients is an integral part of our investment process. 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 clients, we monitor the business' strategic outlook and ESG performance; its critical value drivers to ensure their persistence; and our conviction in the entity's long-term value proposition.

In the case of equities, we vote our shares responsibly. A considered approach to voting is vital not just because it is a key avenue through which we can express our views, but also because it supports our engagements with the company's Board of Directors and executives. Our votes follow our Corporate Governance and Voting Guidelines.

Where we perceive material risks to capital, and/or have concerns regarding adverse environmental or societal impacts resulting from a company's activities, we will not hesitate to initiate dialogue with the Board and/or senior executives. Our approach to engagement, including working with other investors and escalation, is described in our Ownership Discipline.

We report regularly on our engagement activity and its impacts to clients.

Our intention is to invest for the long term, but where events unfold in such a way that the investment case is fundamentally weakened, or the security's price rises to unsustainable levels, we will sell.

PILLAR 3

Thought-leadership and policy outreach

Government and other market-wide policies and regulation have a direct bearing on the manner in which companies generate economic returns. Where these policies are not aligned with sustainable growth, this can encourage corporate behaviours that result in adverse impacts for society or the environment.

Where we find that there are market practices or policies negatively impacting prospects for sustained value creation, and where we believe we can contribute to change, we will seek to do so.

Where appropriate, we work closely with other like-minded shareholders to increase our voice.

OUR STEWARDSHIP APPROACH IS MORE THAN THE SUM OF ITS PARTS

The three pillars of our stewardship approach offer valuable opportunities for cross-fertilisation. For example, our understanding of global trends should feed into our 'policy radar' and outreach, as well as our dialogues with the companies we own. Likewise, our policy outreach may in turn have a material impact on companies and inform our understanding of macroeconomic themes and new investment opportunities.

Our approach to stewardship leverages insights gained from taking a long-term and responsible approach to investment, ownership and policy outreach. Above all, it is focused on what really matters to our clients: the delivery of enduring value in line with society.

ETHICAL INVESTING

For clients who wish us to apply an additional layer of 'values-based' scrutiny, we offer bespoke ethical overlays to our core process, which exclude companies from our investment universe that derive a material amount of their business (ranging from 0% to 10% of sales) from activities deemed to be socially harmful. Examples include: indiscriminate weaponry, adult entertainment, gambling, tobacco, alcohol, armaments, civilian firearms, tar sands and thermal coal. We also apply a supplementary ethical screens for certain products based on our internal Sustainability Impact Matrix.

For more information on our responsible stewardship approach, please contact your client manager or visit www.sarasinandpartners.com/stewardship

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