SARASIN
& PARTNERS

UK STEWARDSHIP CODE REPORT 2020

PUBLICATION DATE MARCH 2021

INTRODUCTION

At Sarasin & Partners, long-term stewardship sits at the heart of how we manage our clients' assets.

Our goal is to grow and protect our clients' capital in a way that is aligned with a sustainable society. We achieve this through a global thematic approach to investment that embeds rigorous environmental, social and governance analysis; a proactive ownership discipline which promotes sustainable behaviour in investee issuers; and a commitment to engage in the wider market place to press for changes that support sustainable growth. Ultimately, we believe that responsible and sustainable companies are more likely to deliver enduring value for our clients.

The UK Stewardship Code 2020 (the Code), which became effective on 1 January 2020, sets high stewardship standards for asset managers, asset owners and service providers. The Code 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 Code signatories to publish an annual statement online showing the extent to which they have complied with the Code, detailing how the principles of the Code have been applied, and disclosing specific information. The Financial Conduct Authority (FCA) also requires signatories to publish a statement online regarding the nature of their commitment to the Code. Additionally, in line with SRD II requirements[1], the FCA also requires asset managers to disclose annually how their engagement policies have been implemented. This disclosure must include a general description of voting behaviour, an explanation of the most significant votes and the use of the services of proxy advisers.

This document explains how Sarasin & Partners complies with the 2020 Stewardship Code on behalf of our clients for all our holdings globally, to meet both FRC and FCA/SRD II requirements[2]. We hope that it demonstrates to our clients – and other interested stakeholders – that we go above and beyond expectations in our implementation of the Stewardship Principles. We do not perceive stewardship as a compliance exercise but rather a core part of our investment philosophy, and this defines how we operate.

[1]FCA Conduct of Business Sourcebook, Section 2.2B

[2]Disclosures to meet SRD II requirements set out in FCA COBS 2.2B.5(1)b and 2.2B.7 are highlighted in the relevant sections. These are primarily included under Principle 12 on "Exercising Rights and Responsibilities".

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PRINCIPLE 1

PURPOSE, STRATEGY AND CULTURE

Sarasin & Partners LLP is a London-based limited liability partnership offering discretionary asset management services to charities, institutions, pension funds and private clients in the UK and around the world. The local partners and team own 40% of the equity of the firm, with the remaining 60% owned by Bank J. Safra Sarasin. Our assets under management amount to £17.2 billion (as at 31 December 2020).

OUR PURPOSE AND BELIEFS

Our purpose is to grow and protect capital for our clients in a way that is aligned with a sustainable society. We achieve this through a global thematic approach to investment that embeds environmental, social and governance considerations, underpinned by a stewardship mindset. Ultimately, we believe that responsible and sustainable companies are more likely to deliver enduring value for our clients.

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 also underpin our investment approach, how we support our clients, how we interact with other external stakeholders, and how we make business decisions.

An example of how our core values shape the way we operate is our Climate Pledge. It was originally drawn up in January 2019 and meant we were one of the first asset managers to pledge support to the Paris Climate Agreement in all that we do (see details of our Climate Pledge on the next page).

OUR STRATEGY: 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 be aligned with 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 adverse impacts on society and/or the environment.

We add value by staying close to the leadership of entities that our clients hold, supporting long-term value-enhancing action, whilst challenging unsustainable behaviour. Responsible and proactive ownership work is as important as a considered approach to selecting which securities to buy.

We apply judgment. We understand that the world is complex, and standards, rules and expectations vary between countries and communities, and the potential for unintended consequences is high. We 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 take a holistic approach. While it is important to many of our clients that we measure our performance relative to a market index to demonstrate the value we add, our overriding goal is to deliver capital enhancement in such a way that avoids harmful externalities for society. This is not just the right thing to do, but we believe that elevated short-term investment returns achieved at the expense of the environment or by harming local communities, for instance, are unlikely to be sustained. Moreover, the adverse external impacts may ultimately be borne by those we are tasked with looking after. We believe that our clients' interests are best served by contributing to a sustainable market environment.

OUR CORE VALUES

Following a detailed review in 2020, we have refreshed our core values to the three 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.

SARASIN CLIMATE PLEDGE

We commit to press investee companies to align with the Paris climate goals.

We support directors at investee companies materially exposed to climate risks to position their businesses for a net-zero emission world using the following tools[1]:

- **Proactive engagement**: we initiate and support dialogue with company boards to make clear our expectation for companies to publish Paris-aligned strategies, including measurable mid-term targets.
- **Voting**: we oppose director appointments where individuals are blocking the implementation of a Paris-aligned strategy. We will vote against auditors where we believe the Annual Report and Accounts fail to report material climate risks. We expect real action within three years
- **Divestment:** we sell a company's shares where we believe our clients' capital is at risk and leadership is failing to respond appropriately[2].

We also commit to promote policy reforms to drive alignment with the Paris goals.

- **Policy outreach:** we engage with regulators and policy makers wherever we believe we can accelerate or improve action to combat climate change.
- **Public statements:** we speak out publicly, and build / support coalitions of like-minded investors and thought leaders, to drive change where we believe this will be effective.

[1]Our approach is informed by the Oxford Martin School's Principles for Climate-Conscious Investment. See Millar, R. Hepburn, C. Beddington, J. and Allen, M., 'Principles to guide investment towards a stable climate', Nature Climate Change, 2 January 2018; Oxford Martin Principles for Climate-Conscious Investment, February 2018.

[2]For clients following our Climate Active strategy, we apply a more stringent climate stress test in our divestment decision. See: https://www.sarasinandpartners.com/charities/investment-solutions/climate-active

We put these principles into practice through three pillars:

1 ACTIVE, LONG-TERM, THEMATIC INVESTMENT INTEGRATES:

- Environmental sustainability
- Social responsibility
- Accountable governance

LONG-TERM INVESTMENT

For equities, we look for entities that are well-placed to respond to enduring societal trends, such as climate change, digitalisation, or ageing. 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 to better understand an entity's risk/return outlook; and to ascertain its alignment with a sustainable society. These are incorporated into valuation analysis. We undertake stress testing for ESG risks, such as climate change, and regular security reviews when concerns arise. This is discussed further under Principle 7.

2 OWNERSHIP DISCIPLINE

- Impactful engagements
- Thoughtful voting
- Robust escalation

ACTIVE OWNERSHIP

Once we have bought securities issued by an entity, we stay close to it and, in the case of shares, vote thoughtfully. We seek regular dialogue with board members and management to monitor progress, and reach out for additional conversations where concerns arise. In certain circumstances, we escalate our engagement, using tools available to us such as voting against management, filing Shareholder Resolutions or other AGM actions, or making public statements. As creditors we can vote on certain corporate actions, and may reach out to other creditors and/or credit rating agencies on issues of concern. We provide more detail under Principle 9 and 12.

3 THOUGHT-LEADERSHIP AND POLICY OUTREACH

- Participating in debate
- Collaborating with industry partners
- Shaping the investment landscape to promote sustainable returns

THOUGHT LEADERSHIP AND POLICY OUTREACH

Where we find market practices or policies that encourage harmful and unsustainable corporate behaviour, and we believe we can contribute to positive change, we will speak out. We engage with 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.

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 a Climate Active strategy dedicated to those clients wishing to invest in line with the Paris Climate Agreement.

PRIORITISATION

We determine our stewardship priorities on an ongoing basis so that we can respond to changing events, such as COVID-19, promptly and flexibly. This does not mean there are frequent changes, but that we will always be alert to new issues as they arise and react promptly where required. We discuss how we prioritise our stewardship activities under Principles 7 and 9 below.

EFFECTIVENESS OF OUR APPROACH

Further detail on our approach and the impact we have (and thus how effective we are at meeting clients' requirements) is provided under specific principles in this document.

Under Principle 5, for instance, we provide detailed performance data demonstrating how our process has delivered financial returns for our clients over time, and detail third-party evaluations of our stewardship work, which further evidences our effectiveness. We also provide preliminary data which seeks to isolate how our ESG analytical work has contributed to this performance.

Under Principle 4 and 9, we provide examples of the impact our policy and company engagement work has had, both for equities and fixed income.

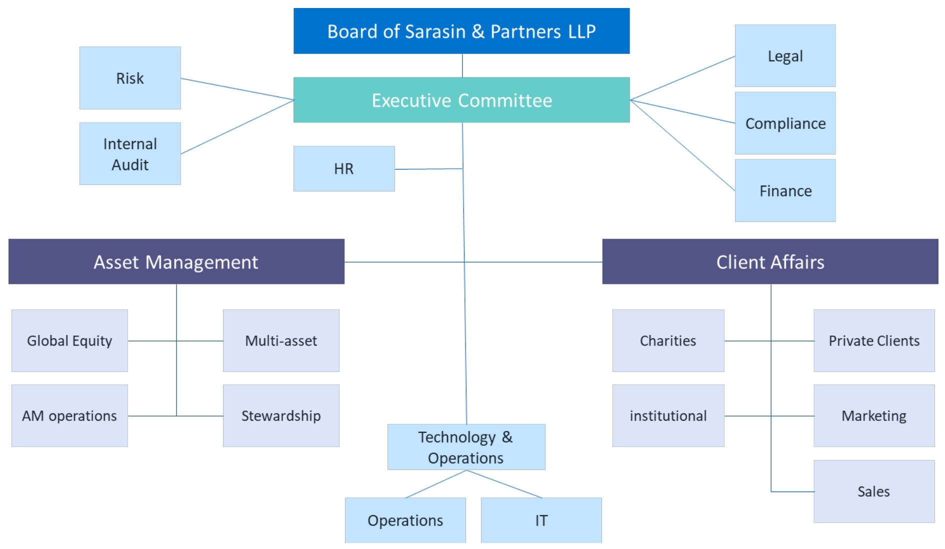
In addition, the following supporting documents are located on our website:

- FRAMEWORK FOR IMPLEMENTING RESPONSIBLE STEWARDSHIP
- PRINCIPLES FOR ENGAGED COMPANY OWNERSHIP
- OUR OWNERSHIP DISCIPLINE
- CORPORATE GOVERNANCE AND VOTING GUIDELINES

PRINCIPLE 2

GOVERNANCE, RESOURCES AND INCENTIVES

Having a strong 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 these structures have delivered effective stewardship, as reflected in our long-term financial performance (set out in Principle 5), the impact of our engagements (Principle 9) and in third party evaluations of our stewardship work (Principle 4).



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.

The **Executive Committee** is chaired by the Managing Partner and has representatives from key functional groups, including the 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.

Our stewardship work is a routine item on our Board agenda, and regularly discussed at the Executive Committee.

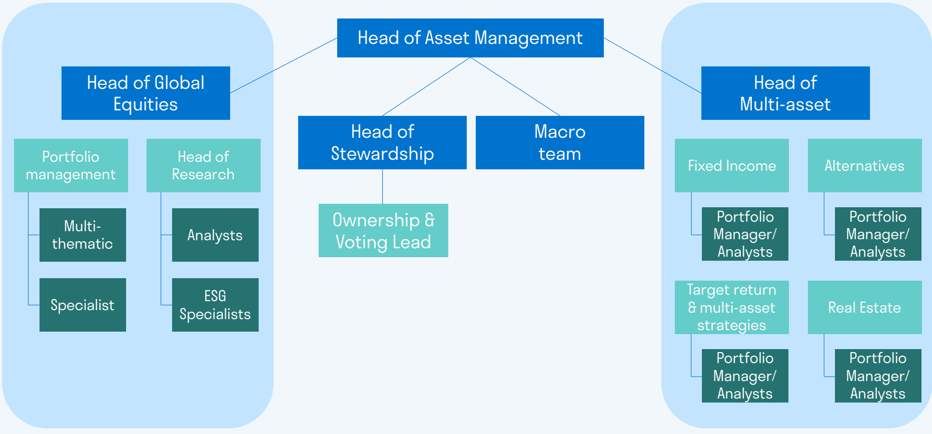
Our **Investment Strategy Group** (ISG) is chaired by our Deputy Chief Investment Officer, and includes senior partners, including the Head of Stewardship, and Board members. The ISG explores the long-term macroeconomic outlook as a basis for considering implications for asset allocation and our investment approach. Sustainability and stewardship are routinely on the agenda.

Stewardship Steering Committee: Following a review of Sarasin & Partners' stewardship function in 2020, a Stewardship Steering Committee is being established in 2021 to provide a mechanism for ensuring broad-based (with senior representation from asset management and client-facing departments) oversight as well as for providing firm-wide input and support for the firm's stewardship work.

INVESTMENT STRATEGY GROUP IN 2020

Two areas of focus in 2020 were the long-term impacts of climate change for economic growth and how rising inequality may heighten geopolitical risk and drive reversals in globalisation.

Our **Head of Stewardship** has responsibility for shaping and ensuring stewardship activities are properly implemented. The Head of Stewardship reports into the Head of Asset Management, and from 2021 will have additional oversight and input from Stewardship Steering Committee. The Head of Stewardship works closely with the Head of Global Equity, Head of Multi-Asset and Head of Research, who share responsibility for the delivery of our stewardship work.



NOTE: This schematic does not include risk or operations functions

INTEGRATION OF ESG FACTORS INTO THE INVESTMENT PROCESS

Equity, fixed income and alternatives analysts undertake ESG analysis with support from stewardship experts in the team. Investment notes detail the long-term drivers, bottom-up ESG analysis, including E/S/G ratings, and an overall ESG materiality score and momentum factor. Any material ESG risks are reflected in investment models. Stress testing work is conducted where relevant, e.g. climate stress tests for companies on the equity buylists thought to face material headwinds from decarbonisation and/or physical climate impacts. Team review and voting ensures the ESG issues are evaluated in sufficient depth.

ACTIVE OWNERSHIP

Company engagement is led jointly by analysts and stewardship experts. New stocks have engagement priorities identified, and Engagement Plans are drawn up for more involved efforts. Escalation is pursued where required. For equities, we aim to write to Boards following Annual General Meetings to communicate our votes and rationales.

THOUGHT LEADERSHIP AND POLICY OUTREACH

The Head of Stewardship leads public policy positioning, with support from the investment team where relevant. Insights from policy outreach are incorporated into company analysis and engagements. This cross-fertilisation improves our understanding of thematic trends including sustainability issues, providing investment insight, and is supportive of company dialogues.

RESOURCES

The Asset Management team comprises 36 employees, 14% of which were female as of 31 December 2020. This includes four dedicated Stewardship and ESG specialists. Further details of our Stewardship specialists can be found on our website here: https://sarasinandpartners.com/stewardship/.

As of 31 December 2020, our ESG and stewardship experts are 50% female and 50% from an ethnic minority background. Due to the diversity of backgrounds and expertise, we are in a strong position to provide sufficient diversity of thought and challenge to fulfil our stewardship obligations. In 2021, we will be further expanding the number of ESG and engagement experts, with the recruitment of an Ownership & Voting Lead and an ESG & voting analyst being key priorities.

It is worth stressing, however, that ESG analysis is a responsibility of each and every analyst for the securities they cover. This means the full resource focused on ESG is far greater than just the ESG and stewardship experts.

Diversity and Inclusion is a key focus of our organisation, and is reflected within our updated core values (see Principle 1). In 2020, we established a Diversity & Inclusion taskforce comprised of colleagues from across the organisation. This is the first stage of our commitment to promote a culture where all stakeholders are accepted as individuals and treated fairly and respectfully, and to improve diversity both within the firm and across the asset management industry.

As part of ensuring our team has sufficient tools to fulfil our stewardship responsibilities, we allocate a significant portion of our research budget to ESG providers. In 2020, approximately 10% of our overall research budget was spent on dedicated ESG research providers such as ISS, MSCI ESG amongst others. This amount, however, understates the total spending since we expect all our other research providers to deliver ESG insights wherever relevant, and this is a criteria we assess in our ongoing reviews of research quality (see Principle 7). We anticipate the percentage of our research budget focussed on ESG will rise in 2021.

SUPPORT AND INCENTIVES FOR STEWARDSHIP

Because 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 over the year.

Individuals' performance on ESG integration and engagements is included as part of the annual appraisal process, which then feeds directly into performance awards . This is reinforced by our core values that includes stewardship (see Principle 1). All appraisals incorporate an assessment of adherence to this core value, and where individuals are found lacking, this will impact their awards and prospects for advancement in the firm. The overarching structure and KPIs for the investment team incentives reflect five-year performance versus tailored benchmarks, the achievement of priority objectives agreed with the line manager, as well as alignment with core values.

Recent enhancements in our process have increased transparency around integration, permitting closer monitoring and assessment for appraisals (see below).

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.

In terms of training, analysts are expected to keep abreast of ESG risks and opportunities for their coverage by accessing our various research providers, including attending relevant conferences. The Head of Equity Research oversees and reviews research providers to maintain quality of these inputs, and the ESG and stewardship experts 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, and this year six have completed the course, with a further seven enrolled.

CLIMATE PLEDGE – GOVERNANCE AND IMPLEMENTATION

As highlighted earlier, Sarasin & Partners published its first Climate Pledge in January 2019. The Pledge sets out our commitment to support the Paris Climate Agreement goals of keeping temperature increases well below 2°C. We do this not just by aligning our own business with the Paris goals, but critically, through our stewardship of the companies clients invest in and our broader policy outreach. (see details on our Climate Pledge on page 5)

Sarasin & Partners' Board has collective responsibility for its implementation. Partners who have specific delegated climate-related oversight responsibilities include:

- Our Head of Stewardship, who oversees the integration of climate considerations into the investment process as well as related engagements and policy work (and oversight of the Climate Active strategy - see below);
- Our Chief Operating Officer, who oversees the internal operational alignment with reaching net zero emissions by 2050; and
- Our Head of Multi-Asset, as lead portfolio manager on our Climate Active Charity Authorised Investment Fund, is responsible for overseeing the implementation of the Climate Active strategy.

Delivery of climate analysis is achieved through the relevant equity, fixed income and multi-asset teams, by working closely with team leads and analysts. A dedicated Climate Analyst is responsible for implementing climate stress testing for at-risk securities and leading on the Climate Change equity mega theme to drive new stock additions to the internal buylist.

This structure is supplemented by advice from technical experts on our Climate Active Advisory Panel, which we set up in 2017 to help us consider all matters related 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 divestments, corporate engagement, together with potential policy work in conjunction with governments and like-minded institutions. The members of the Panel can be viewed on our website[4].

2020 ENHANCEMENTS

Global equity: ESG integration and engagement procedures were further strengthened, with deeper analysis, clearer tracking and weekly team discussions. A three-by-five ESG matrix has been added to the stock investment process to heighten consistency in ESG data analysis. New data management systems are being rolled out to ensure firm-wide visibility of ESG analysis. New rules have been added to ensure that material ESG risks are reflected in modelling. Equity valuation templates have been adjusted to permit key assumptions to be flexed for ESG considerations and rationale recorded. Engagement priorities are now more explicitly tied to identified ESG adverse impacts, and post proxy voting letters introduced.

Fixed income: ESG analysis has been formalised in our 6-blocker approach, and engagements are now tracked in an internal database. We now also use a Materiality Map to assess the exposure of each industry sector to the 15 ESG factors we focus on. The enhancements we have added this year allow us to tie issuer ESG scores and ratings to material risks and also relative performance versus sector peers.

Alternatives: An expanded ESG question set has been incorporated into due diligence of third-party managers. ESG integration and engagement procedures have been further strengthened in 2020, with more frequent and in-depth engagements with investee fund managers

[3]This is also in line with requirements for sustainability risks to be incorporated into remuneration under Article 5 of the EU's Sustainable Finance Disclosure Regulation.

Finally, the Climate Active Charity Authorised Investment Fund is the responsibility of the Sarasin Investment Funds (SIF) Board. There is also a Climate Active Advisory Committee which is appointed by the SIF Board as an additional, independent, body that may challenge the board and represent the interests of the CAIF's unitholders.

In December 2020 we became a founding signatory to the Net Zero Asset Manager Commitment, which commits us to ensuring all our underlying assets are aligned with a 2050 net-zero plan. We plan to publish a pathway for implementing this commitment in the second half of 2021.

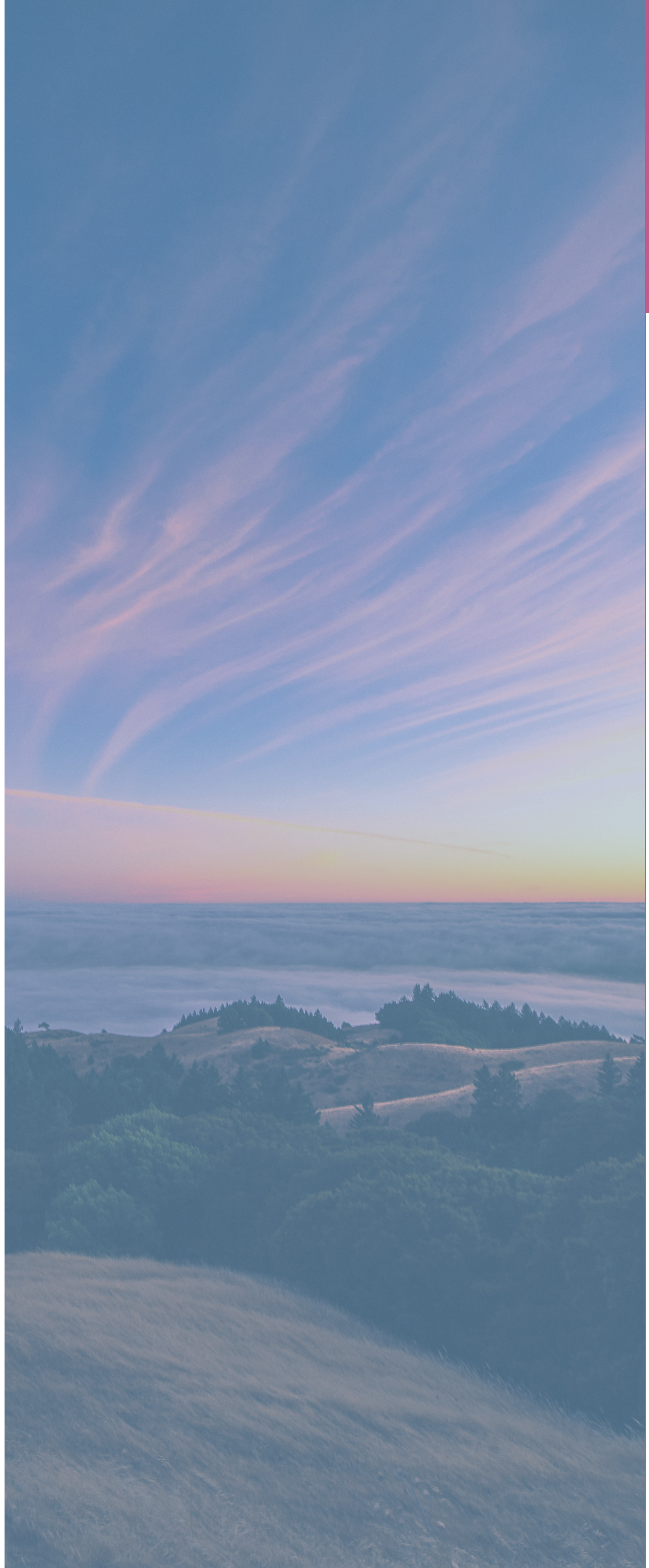
OUTCOME REPORTING

As part of our focus on delivering better outcomes for our clients, we track performance and impacts relating to our stewardship activities, with a view to learning and improving. Ensuring greater transparency of our stewardship work and its impacts is a priority.

Alongside our process enhancements, in 2020 we also made improvements to how we report on our stewardship activities and outcomes to clients. We began incorporating our internal ESG scores in client portfolios and their reports. We also report on significant company and policy engagements, as well as votes in our quarterly performance reports to clients. We publish all our voting on our website every quarter, including rationales.

We discuss this in more detail under Principle 5.

[4] https://sarasinandpartners.com/charity/strategies-for-charities/climate-active/



PRINCIPLE 3

CONFLICTS OF INTEREST

Sarasin & Partners seeks to act in the interests of all its clients when deploying capital, engaging with companies and policymakers and voting (see Principle 6)

Conflicts of interest do arise from time to time, such as when voting or engaging on matters affecting a client, or where our clients are shareholders in two companies involved in both sides of a deal or dispute. We aim to identify and manage any conflicts objectively and fairly, and in line with our overriding goal of delivering enduring value to our clients.

Our procedure for managing conflicts works as follows:

CONFLICT IDENTIFICATION

We are alert to possible conflicts at all stages of our investment process from our stock selection; our voting analysis; prior to and during engagements, and in any policy outreach we become involved with.

ASSESSMENT

Once a potential conflict is identified, the Stewardship team, relevant fund managers and analysts will determine whether the conflict is sufficiently material to warrant additional measures to protect the decision-making process from inappropriate influence.

ESCALATION TO THE HEAD OF ASSET MANAGEMENT

Where the team dealing with the matter believes the risks of inappropriate influence cannot be adequately managed, the matter is escalated to the Head of Asset Management.

ESCALATION TO THE CONFLICTS COMMITTEE

In the event that the Head of Asset Management believes an independent intervention is required to protect the integrity of our investment and stewardship activities, he or she will escalate the matter to our Conflicts Management Group (CMG). The CMG is comprised of senior management from across the business.

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

POTENTIAL CONFLICTS THAT ARISE IN OUR INVESTMENT AND STEWARDSHIP ACTIVITIES

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. Because we apply judgment in our voting (to permit us to override our "Corporate Governance and Voting Guidelines" to reflect particular circumstances) and engagement activities, there is a risk that conflicts of interest could influence these activities.	Where a client (e.g. 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.	Where this conflict arises, we will report it to the Head of Asset Management. If we believe the issue warrants further deliberation, we will escalate the conflict to the CMG.
In a merger and acquisition (M&A) situation, 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)	We will always cast our votes in M&A situations in the best interest of respective client mandates. If necessary the matter will be escalated to the Head of Asset Management, and then 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.	We manage this conflict by restricting our vote on all our funds where we have voting responsibility. In cases where our clients' vote is necessary for fund operation (e.g. to achieve a quorum at a meeting), then we liaise with clients to get their explicit vote instructions.
We manage both fixed income funds and equity funds. In certain circumstances the interests of equity holders will conflict with that 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 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.	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. If necessary the matter will be escalated to the Head of Asset Management, and then the CMG.
Our staff or clients may have personal relationships with the companies we are engaging with, or voting. Because we apply judgment in our voting (to permit us to override our Governance and Voting Guidelines to reflect particular circumstances) and engagement activities, there is a risk that conflicts of interest could influence these activities.	A fund manager may have an outside relationship (e.g. shared trusteeship for a charity) with Board directors for a company we hold.	Where such a conflict emerges, we will report it to the Head of Asset Management. If we believe the issue warrants further deliberation, we will escalate the conflict to the CMG.
Our clients / 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 inappropriate influence is exerted, the team will escalate the matter to the Head of Asset Management and – where necessary – the CMG.
Our engagement, voting or policy work may be in conflict with our parent group, Bank J Safra Sarasin, which 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.	As highlighted above, in any situation where conflicts arise, the team will escalate the issue initially to the Head of Asset Management, and then on to the CMG if this is deemed necessary.

In the year under review, staff members have notified the CMG of 14 cases of potential conflict. In most cases, conflicts have arisen from staff members undertaking external interests outside of their roles. The CMG has assessed all cases, determined that none pose a material conflict, and approved the outside interest. These have then been added to the conflicts register and recorded in the minutes in the next quarterly conflicts committee meeting. In total, as of December 2020, 11 ongoing instances are were logged on Sarasin & Partners' conflicts register.

One potential conflict reported to the CMG in 2020 related to stewardship, and was satisfactorily resolved.

OUR CONFLICTS OF INTEREST POLICY IS AVAILABLE HERE

PRINCIPLE 4

PROMOTING WELL-FUNCTIONING MARKETS

Policy outreach is a core pillar of our stewardship approach (see Principle 1 for a discussion of our stewardship framework). We believe that it is vital to engage not just with companies, but also in the broader policy debate where this matters to our clients' interests.

Specifically, where we find market practices or policies that encourage harmful corporate behaviour, and we believe we can contribute to positive change, we will speak out. We do not seek to benefit from unsustainable activities that result in adverse impacts on society, as 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, which is a key area of focus for us. Our investment process seeks to ensure detailed climate risk and opportunity analysis to protect clients' assets from expected physical impacts and efforts to drive decarbonisation, and also 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, will unlikely 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 such a way that drives accelerating action to combat climate change. We work with others on this to deliver impact.

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.

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

POLICY OUTREACH REQUIRES PRIORITISATION, TENACITY AND RESOURCING

Inevitably, we have to prioritise when we undertake policy work. We cannot act on everything, so must identify those issues that are most damaging, 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.

All of this requires both expertise and judgement, and a range of skill sets in addition to a rigorous analytical capability. Like 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

Today, we have four core priorities for our market outreach, including pressing for:

- Accounting reform to support long-term stewardship
- Reliable and transparent audits that support corporate accountability
- Paris-aligned accounting and audit to underpin achievement of a well-below 2^{0}C world
- Responsible corporate behaviour towards vulnerable stakeholders during the COVID-19 pandemic (ICCR COVID Initiative).

We identified these priorities based on the following broad 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, taking into account our view that harmful externalities imposed on society and/or the environment ultimately puts financial performance at risk.
- **Potential for impact:** since many issues are material, we focus on those where we can drive demonstrable change. This will tend to be in areas where we have particular expertise and insight and a clear vision for what needs to change.
- **Client preference:** we seek input from clients on their areas of interest/concern through regular meetings, conferences and other ongoing communications.

We provide more detail on our current priorities and support for policy initiatives led by others on the next page.

WORKING WITH OTHERS TO DRIVE SUSTAINABILITY

A SELECTION OF INITIATIVES WE LEAD AND SUPPORT

ENVIRONMENTAL	SOCIAL	GOVERNANCE
• Paris-aligned accounting • Task Force for Climate-related Financial Reporting • Climate Disclosure Project • Climate Action 100+ • Ellen MacArthur Foundation Plastics Initiative	• ICCR COVID initiative • Workforce Disclosure Initiative • 30% Club • Modern slavery initiative	• International corporate governance network • Investor Advisory Group, UK Financial Reporting Council • Advisory Group for International Audit & Assurance Board • Asian corporate governance network

RELIABLE ACCOUNTING TO SUPPORT LONG-TERM STEWARDSHIP

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.

While companies are required to follow accounting standards (in most markets 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 to avoid companies becoming unnecessarily insolvent. 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.

Critically, there has been very little disclosure around the dividend paying capacity by companies. We believe this lack of transparency allows excessively risky behaviour to occur and persist, and played a role in 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.

GOAL

The goal of our work on capital maintenance is to build awareness of the problem in key markets as a basis for catalysing a policy response to strengthen capital protection regimes.

METHODOLOGY

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, public media outreach (e.g. BBC Radio Four interviews, FT opinion pieces), and we have also provided evidence to the 2019 BEIS Select Committee inquiry into the Future of Audit. We were asked to join an Advisory Board for Sir Donald Brydon's review of the purpose of auditing, which incorporated questions on capital maintenance in the UK. We also participate in the UK's Financial Reporting Council's Investor Advisory Board.

We have also sought to embed requests for the disclosure of distributable reserves into company engagements, particularly in the UK.

OUTCOMES

Our work has had the following impacts in recent years:

- The International Accounting Standards Board (IASB) reversed a decision to take prudence out of its Conceptual Framework.
- 2019 BEIS Select Committee's final report called on the government to review the purpose of accounts and the weaknesses in the capital maintenance regime.
- 2019 Brydon Review calls for capital maintenance to be examined further.
- 2020 ongoing Parliamentary scrutiny of this issue, with numerous questions placed in the House of Lords.
- 2019 KPMG paper "Capital Maintenance" outlines the problems and sets out proposals to move forward.
- Increasing disclosure of distributable reserves by companies as reported by the FRC in recent review[5].
- 2020 ICAEW paper "Introduction to the law on dividends" provided a review of company law requirements on capital maintenance, and the divergence from IFRS[6].

[5]https://www.frc.org.uk/getattachment/3a7972af-35ae-4354-8136-0b395f5bbbba/Dividends-implementation-study-Lab.pdf

[6]https://www.icaew.com/insights/viewpoints-on-the-news/2020/june-2020/icaew-introduction-to-the-law-on-dividends

AN AUDIT SYSTEM THAT SUPPORTS LONG-TERM STEWARDSHIP

Auditors need to perceive investors as their clients if they are to act in shareholders' and creditors' interests. 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. 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 need for regulatory action.

GOAL

To promote more transparent and reliable auditing which is aligned with investor and the public - not executive - interests.

METHODOLOGY

As with our work on pressing for more prudent accounting, we have undertaken outreach at a regulatory/market level as well as with individual companies.

Outreach to regulators has involved numerous statements and submissions, including:

- Public position papers signed by over EUR 2 trillion AUM calling for more independent auditors
- Submissions to the Competition and Markets Authority calling for action to split audit firms between audit and non-audit segments and to increase transparency to shareholders
- Public position paper calling for the reconstitution of the audit regulator, the FRC, due to regulatory capture
- Media outreach, including an exclusive with The Times on the FRC paper and FT Talking Heads on audit failures.

We also track the following to identify audit risk in investee companies on behalf of our clients. These factors are often triggers for us to vote against auditor reappointment::

- **Auditor tenure at companies**. We believe independence is threatened when the audit firm has been *in situ* for over 15 years.
- **The level of non-audit work**. Where non-audit fees exceed 25% of the audit fee, we view this as an excessive risk to independence.
- **The audit partner**. Where available we look for audit partners' past controversies.
- **Other red flags**. An example of which could be short seller reports that point to accounting weaknesses. Where we see red flags, we will engage with Audit Committees and also vote against their reappointment. We will also use our vote against auditors where we view them as lacking in independence or failing to ensure reliable accounts.

OUTCOMES

Our work has had the following impacts:

- EU audit reform. While this was finalised in 2012, our early work fed directly into the reforms and was supportive of the key new requirements, such as caps on audit firm tenure of 20 years (with competitive tenders held every 10 years) and limits on non-audit work.
- CMA recommendations for audit to be ring-fenced from non-audit and greater transparency for shareholders.
- Sir John Kingman's review of the FRC was a direct consequence of our investor position paper calling for the FRC to be reconstituted. The final recommendations were also aligned with our calls for more transparency, clearer legal foundation, and tougher rules on the role of the Big Four at the regulator.

PARIS-ALIGNED ACCOUNTING AND AUDIT TO UNDERPIN ACHIEVEMENT OF A WELL-BELOW 2°C WORLD

Financial statements that leave out material climate impacts misinform executives and shareholders and thus, result in misdirected capital. Company leaders without correct cost and return information are equivalent to pilots without a properly functioning altimeter. In extreme cases, companies on the wrong flight path can crash.

In the case of climate change, the consequences of misdirected capital are not only harmful for shareholders, but also potentially disastrous for the planet. In brief, where decarbonisation is ignored in drawing up financial statements, too much money will flow into fossil-fuel-related activities, and too little into cleaner energy. This clearly makes it harder to achieve decarbonisation, but also raises risks of stranded assets where governments act to deliver their commitments in the Paris Agreement.

Auditors play a vital role in protecting investors against accounting misrepresentation. They kick the tyres on managements' accounts and ensure they deliver a true and fair view of the economic health of the entity. It is, therefore, critical that the auditors are checking that company accounts are reflecting material climate risks – both those linked to decarbonisation and those that emanate from physical climatic change.

Where the accounts fail to do this, the auditor should sound the alarm. Failure to do so will undermine trust in company accounts.

GOAL

Our goal is to ensure that all companies, dependent on carbon-intensive activities (either directly in their production processes, or for the consumption of their good or services), ensure their financial statements take account of the Paris Climate Agreement. This goes beyond those extracting fossil fuels, to include companies dependent on transport, materials, heavy industry, agriculture, etc. We also expect auditors to commit to raising a red flag where managements' accounts fail to fully represent future losses and liabilities.

METHODOLOGY

Building on an internal analysis into eight oil and gas companies' financial statements in 2018 (published as *Are oil and gas companies overstating their position?*[7]), Sarasin also led a growing coalition of investors (representing over $9 trillion in assets under management at the end of November 2020) in an engagement effort targeting:

1. The Big Four audit firms (PWC, KPMG, EY and Deloitte);
2. Audit Committee Chairs at fossil-fuel-exposed companies; and
3. Regulators and standard-setters responsible for oversight of accounting and audit.

These engagements set out the regulatory backdrop to our call for Paris-aligned accounts and audits, including recent guidance from the International Accounting Standards Board, and made clear that shareholders expect company accounts to be Paris-aligned. Letters were sent to Shell, BP and Total in November 2019, and more recently the materials and mining companies CRH and Rio Tinto.

We have also supported these engagements with a climate voting policy, which includes votes against audit committee members that fail to ensure Paris-aligned accounts and auditors who fail to sounds the alarm where accounts are inadequate.

Alongside our company engagements, we have led outreach to accounting regulators and standard setters to ensure investor expectations are understood as a material consideration, and thus a matter for regulatory enforcement.

OUTCOMES

This engagement effort has had the following impacts.

Companies:

All three oil and gas majors who we coordinated letters to (Shell, BP and Total) have since adjusted critical accounting assumptions (specifically the long-term commodity price assumptions) in their annual accounts. These revised assumptions are now taking climate risks and the Paris Agreement into account, and the result has been material impairments to assets on the balance sheet. The most dramatic has been at BP, which announced a reduction in oil and gas price assumptions to align with Paris in June 2020 and resulted in an estimated impairment of between $13 and $17.5 billion.

Auditors:

- All four audit firms have added climate risk to their training for audit partners, and updated internal guidance materials.
- Deloitte and KPMG published documents in December 2019 setting out why climate risks are relevant to their core audit process.
- Auditor reports to shareholders in BP, Shell and National Grid have provided detailed commentary on how climate risks were considered as part of the audit, where accounting assumptions were not aligned with Paris, and the potential impact that this has had.

Regulators/standard setters:

- The UK's Financial Reporting Council published a letter sent to Audit Committees and Finance Directors reminding them of their responsibility to consider material climate risks (Oct 2019).
- The International Accounting Standards Board (IASB) published guidance setting out how precisely climate risks need to be considered under existing International Financial Reporting Standards (IFRS).
- The International Audit and Assurance Standards Board (IAASB) published a Staff Guidance paper in Oct 2020 highlighting that climate risks must be considered in the audit process.

PRESSING FOR RESPONSIBLE TREATMENT OF STAKEHOLDERS DURING THE COVID-19 PANDEMIC (ICCR COVID STATEMENT)

GOAL

We have always supported a responsible and long-term approach when it comes to treatment of staff, customers, suppliers and other key stakeholders. In light on COVID-19, we've been particularly keen to see companies maintain business resilience and build reputation through this crisis and beyond; and having strong stakeholder relationships will be a key part of this.

Through our engagements with companies we want to ensure they were - and continue to - take a responsible approach to their stakeholders such as prioritising the health and safety of their employees and customers, maintaining supplier relationships, treating employees fairly particularly with respect to furlough and redundancy; and taking a responsible approach to executive pay, dividend payments and share buybacks.

METHODOLOGY

Based on a review of our buylist to identify those companies most exposed to the crisis. We initially identified nine companies with whom to engage and have subsequently added more as issues arose. This review was based on specific KPIs aligned with the categories outlined above. We are signatories to the ICCR investor statement on coronavirus and this helped set the foundation for our engagement.

We arranged initial fact finding calls with the companies, and where necessary, escalated engagement via letters to the Board.

OUTCOMES

We gained reassurance from the majority of companies that they were acting responsibly. In two cases we sent letters to the Board Chair to press for changes in company behaviour.

[7]https://sarasinandpartners.com/think/are-oil-and-gas-companies-overstating-their-position/

PRINCIPLE 5

REVIEW AND ASSURANCE

MEASURING HOW EFFECTIVE WE ARE

We aim to regularly assess the effectiveness of our stewardship work. This is important for our clients as they seek to hold us accountable. It also enables us to identify areas for improvement.

At a high level, an important measure of our overall effectiveness is our long-term investment performance. Below we provide information on performance for four of our core strategies over 1, 3 and 5 years (where available), relative to their benchmarks, as at 31 December 2020.

SARASIN THEMATIC GLOBAL EQUITY

	1 YEAR	3 YEARS	5 YEARS	AGR 3 YEARS	AGR 5 YEARS	% CHANGE SINCE LAUNCH	AGR SINCE LAUNCH	VOLATILITY*
SARASIN THEMATIC GLOBAL EQUITY	13.57	37.00	88.77	11.05	13.53	700.70	8.16	15.76
BENCHMARK	12.67	31.93	92.23	9.67	13.95	688.20	8.10	-

Performance is provided net of fees. **Past performance is not a reliable guide to future performance**. Performance is calculated in GBP on the basis of net asset values (NAV) and net dividends reinvested. P share class launched 15.10.12. Performance prior to this date is from A shares launched 01.07.1994. The Sarasin Thematic Global Equity (Sterling Hedged) Fund merged with this fund on 23.10.20.

Source: Sarasin & Partners LLP and Morningstar as at 31.12.20. Annualised Growth Rate (AGR) is the increase or decrease in value of an investment, expressed as a percentage per year. *The source for the annualised volatility measurement is Morningstar and this measurement is expressed using the standard deviation of the Fund's UK Sterling monthly returns over the most recent 36 month period. Benchmark: MSCI All Countries World Index. The benchmark of this fund has changed over time. Please visit http://sarasinandpartners.com/wp-content/uploads/2020/05/benchmark-history.pdf for a full history. Prior to 31st November 2016, the fund was named Sarasin EquiSar Global Thematic Fund.

SARASIN RESPONSIBLE GLOBAL EQUITY

	1 YEAR	3 YEARS	5 YEARS	AGR 3 YEARS	AGR 5 YEARS	% CHANGE SINCE LAUNCH	AGR SINCE LAUNCH	VOLATILITY*
SARASIN RESPONSIBLE GLOBAL EQUITY	19.09	47.25	101.14	13.75	14.98	181.40	11.39	14.30
BENCHMARK	12.67	31.93	92.23	9.67	13.95	183.93	11.49	-

Performance is provided net of fees. **Past performance is not a reliable guide to future performance.** Performance is calculated in GBP on the basis of net asset values (NAV) and net dividends reinvested. **P share class launched 15.10.12. Performance prior to this date is from A shares launched 01.06.2011. The Sarasin Responsible Global Equity (Sterling Hedged) Fund merged with this fund on 9.10.20.

Source: Sarasin & Partners LLP as at 31.12.20. Annualised Growth Rate (AGR) is the increase or decrease in value of an investment, expressed as a percentage per year. *The source for the annualised volatility measurement is Morningstar and this measurement is expressed using the standard deviation of the Fund's UK Sterling monthly returns over the most recent 36 month period. Benchmark: MSCI All Countries World Index (Net TR). The benchmark of this fund has changed over time. Please visit http://sarasinandpartners.com/wp-content/uploads/2020/05/benchmark-history.pdf for a full history. Prior to 31st November 2016, the fund was named Sarasin EquiSar - Socially Responsible.

SARASIN RESPONSIBLE CORPORATE BOND

	1 YEAR	3 YEARS	5 YEARS	AGR 3 YEARS	AGR 5 YEARS	% CHANGE SINCE LAUNCH	AGR SINCE LAUNCH	VOLATILITY*
SARASIN RESPONSIBLE CORPORATE BOND	9.26	16.70	-	5.28	-	25.10	5.57	6.12
BENCHMARK	7.96	16.32	-	5.16	-	24.18	5.38	-

Performance is provided net of fees. **Past performance is not a reliable guide to future performance**. Performance is calculated in GBP on the basis of net asset values (NAV) and net dividends reinvested. **P share class launched 14.11.2016

Source: Sarasin & Partners LLP and Morningstar as at 31.12.20. Annualised Growth Rate (AGR) is the increase or decrease in value of an investment, expressed as a percentage per year. *The source for the annualised volatility measurement is Morningstar and this measurement is expressed using the standard deviation of the Fund's UK Sterling monthly returns over the most recent 36 month period. Benchmark: ICE BofA ML Sterling Non-Gilt Index. The index data referenced is the property of third party providers and has been licensed for use by us. Our third party providers accept no liability in connection with its use. See our website for a full copy of our Index Disclaimers www.sarasinandpartners.com/docs/default-source/regulatory-and-policies/index-disclaimers.pdf

SARASIN CLIMATE ACTIVE ENDOWMENTS STRATEGY

	31.12.19 TO 31.12.20	31.12.18 TO 31.12.19	16.02.18 TO 31.12.18	% CHANGE SINCE LAUNCH
SARASIN CLIMATE ACTIVE ENDOWMENTS	10.3	20.4	-1.4	31.0
ARC STEADY GROWTH	1.2	15.6	-4.2	12.2
BENCHMARK	6.8	18.5	-2.6	23.2
UK CPI +4%	4.4	5.5	6.4	17.2

Performance is calculated in STG on the basis of net asset values (NAV) and gross dividends reinvested. Source: Sarasin & Partners LLP. All data as at 31.12.20.

Benchmark: BofAML Gilts All Stocks Index 7.5%, BofA Merrill Lynch Sterling Corporate 7.5%, MSCI UK IMI 20%, MSCI AC World ex UK (Net Total Return) 40%, MSCI AC World ex UK (Local Currency) (GBP) 10%, MSCI All Balanced Property Funds – One Quarter Lagged 5%, UK cash LIBOR 1 month (Total Return) 10%. Fund Inception: 16.02.18.

ARC Charity Indices are based on historical information. **Past performance is not a guide to future returns and may not be repeated**. The value of investments and the income from them can go down as well as up and an investor may not get back the amount originally invested.

Asset Risk Consultants Limited (ARC) is an independent investment consultancy specialising in the analysis of private client and charity investment portfolio performance. Circa 30 investment houses supply ARC with performance data across their entire charity base. Portfolios falling into the Steady Growth risk category will have exhibited a historical variability of returns in the region of between 60 - 80% of UK equity markets. Portfolios in this category usually have a significant allocation to equities (in excess of 50%) but also have material exposure to a range of other asset classes. For more information about ARC, please see 'Important Information' at the back of this document. Source: Sarasin & Partners LLP and ARC (supplied quarterly by Asset Risk Consultants) as at 31.12.20. Data collected from The Sarasin Climate Active Endowments Fund, a multi asset class Charity Authorised Investment Fund, regulated by the FCA and the Charity Commission and audited by Deloitte.

EQUITIES

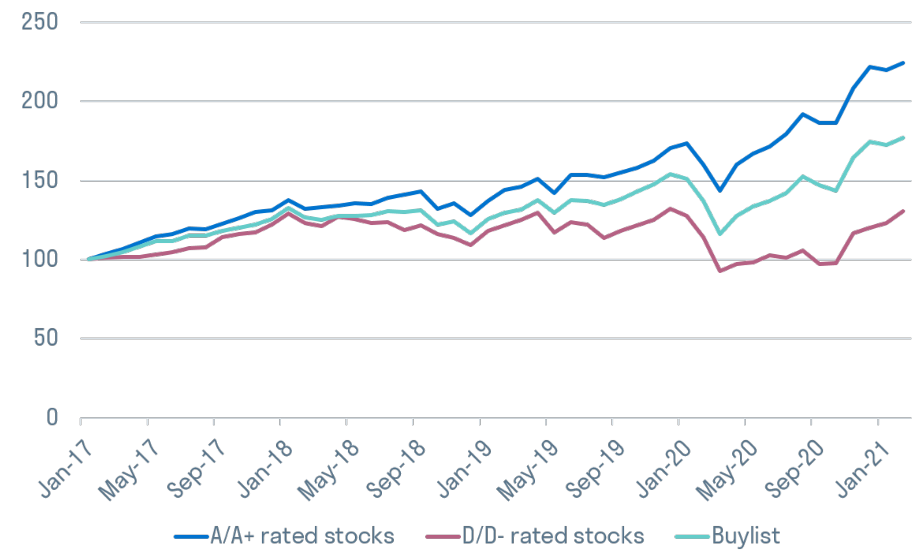
We are also seeking to track whether our ESG analysis has added value by boosting investment performance. While there are inevitably numerous statistical challenges with any such analysis, such as the implications of limited data, short time period, correlation vs. causation; the chart and tables below provide us with some comfort that we are improving our clients' risk-adjusted returns through our ESG work.

The analysis is performed for our internal Global and UK equity buy lists since 2017, and compares performance of our ESG 'A' rated stocks and 'D' rated stocks. We have created market cap weighted portfolios containing the A, D or all buylist stocks based on the rating at the beginning of each month.

Based on this methodology the A-rated portfolio has significantly outperformed the buylist and the D-rated portfolio. As shown in the tables below, the A-rated portfolio also has the lowest volatility, highest Sharpe ratio and lowest (best) drawdown over the period.

PERFORMANCE OF BEST AND WORST ESG RATED STOCKS

USD performance of market cap weighted portfolios, monthly rebalancing



Source: Bloomberg, Sarasin & Partners, October 2020. Returns are USD gross of all costs

It is important to stress, that this is preliminary analysis based on a relatively short time period so needs to be interpreted with caution. Nonetheless, we will continue to build statistical robustness, to enable us to have quantitative metrics that help inform our performance, and enable us to improve.

PERFORMANCE SUMMARY: 2017 - 2020

PORTFOLIO	ANN. RETURN %	ANN. VOL %	SHARPE RATIO	MAX DRAWDOWN %	MAX DRAWDOWN RECOVERY (MONTHS)	MAX DRAWDOWN DATE	BETA TO MSCI ACWI
A/A+ RATED STOCKS	15.97	14.28	1.82	17.89	4	31.03.20	0.92
D/D- RATED STOCKS	-1.39	18.46	-0.08	33.76	N/A	31.03.20	1.05
BUYLIST	10.09	15.63	0.65	25.42	N/A	31.03.20	1.03

DRAWDOWN ANALYSIS

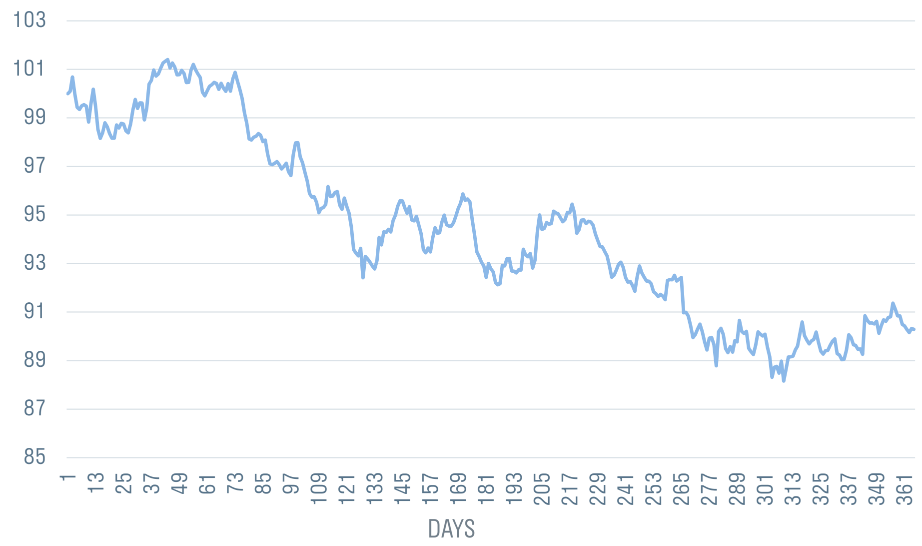
			WORST DRAWDOWN			
START	END	DURATION (MONTHS)	MSCI ACWI	A/A+ RATED STOCKS	D/D- RATED STOCKS	BUYLIST
31.12.19	31.08.20	8	21.26	17.89	33.76	25.42
31.02.18	30.04.20	15	13.51	10.35	16.49	12.12
30.04.19	28.06.19	2	5.85	6.11	12.18	5.69
31.08.20	30.10.20	2	5.51	2.78	32.79	7.81
31.07.19	31.10.19	3	2.32	0.70	15.97	2.02

Source: Bloomberg data, Sarasin & Partners LLP analysis, data as at 30.10.2020

We have also investigated the impact of stocks sold on ESG grounds for individual funds. This chart summarises the findings for our Global Thematic Equity fund, one of our flagship strategies. It shows that stocks exited on ESG grounds were down over 8% relative 12 months later, suggesting that the decision to exit these companies enhanced performance, and protected clients' capital.

As emphasised above, this statistical analysis needs to be used with caution, as there are inevitably issues that arise due to small sample sizes etc. Therefore, at this stage this remains merely an indicator, but one we will continue to track.

AGGREGATE RELATIVE PERFORMANCE OF STOCKS SOLD ON ESG GROUNDS IN GLOBAL THEMATIC EQUITY (12+ months after event)



Source: Sarasin & Partners analysis, December 2020

FIXED INCOME

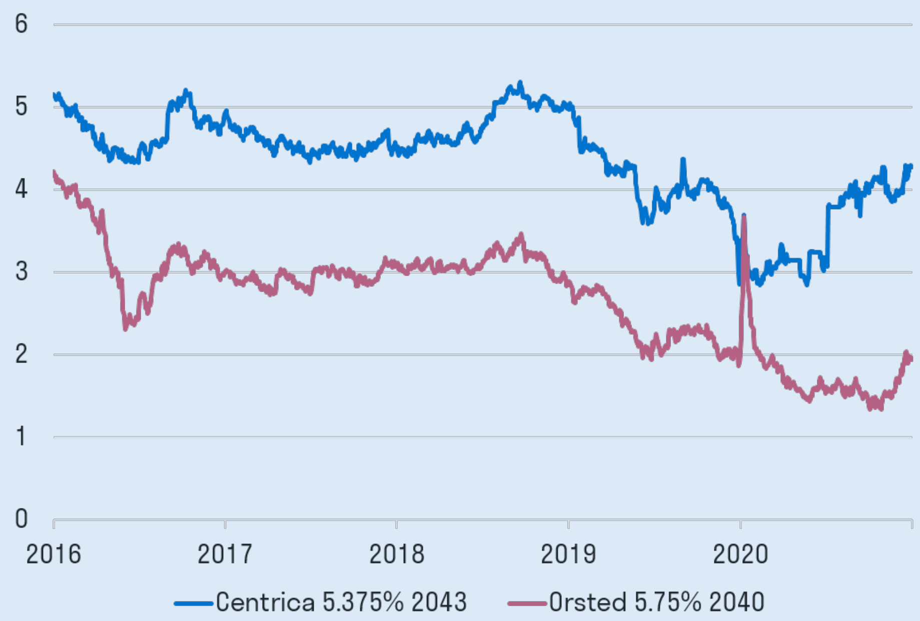
Turning to our fixed income process, there is continuous review of portfolio performance down to issuer level, which can be tied back to ESG factors.

Generally, it is straightforward to identify where an adverse ESG development has triggered underperformance of bonds as these normally take the form of breaking news stories to which the bonds react immediately.

For longer duration ESG issues, we have found that the borrowing costs tend to rise and spreads tighten for higher ESG-scoring entities versus those with lower scores. A good example of this is provided by comparing the spreads over the risk free rate (as measured using UK Government debt – Gilts) demanded by the market. For example, take the wind company Orsted which we hold for clients and the natural gas based power and heating company Centrica, which we do not hold (see box below). Orsted's lower spread, provides preliminary quantitative evidence that the market is starting to price in the risks of the energy transition, with higher risks associated with the company that faces a greater threat from a net zero carbon future.

ORSTED VS CENTRICA (SPREAD OVER GILTS -5 YEARS)

This chart provides supportive evidence that the market is demanding a higher return to compensate for rising risks associated with natural gas utilities such as Centrica versus a renewable company like Orsted.



Source: Bloomberg, December 2020

GAS DISTRIBUTION (CDTFIN) VS. ELECTRICITY DISTRIBUTION (UKPONE)

(Spread over 5 year Gilts)

Further evidence that the market is increasingly demanding higher spreads for companies involved in more carbon-intensive activities, and thus exhibiting higher stranded asset risks, is provided by a comparison of the credit spreads for CDTFIN (gas distribution) versus that of UKPONE (electricity distribution). Both bonds have similar ratings and maturities, so the growing spread of the gas assets over the electricity distribution assets provides, in our view, preliminary evidence that the market is increasingly pricing in higher energy transition risks associated with gas infrastructure.

Source: Bloomberg, December 2020

We are also able to demonstrate poor performance avoided due to our decision to divest on ESG grounds.

A good example is **John Lewis**, illustrated below, from which we divested due to concerns around a range of issues pertaining to weakening creditor protections and customer treatment. We believed these issues reflected a broader governance malaise and thus raised risks around the longer-term viability of the issuer.

JOHN LEWIS

Source: Bloomberg, December 2020

Another example is **Engie**, which we sold due to concerns over elevated safety risks linked to cracks in Belgian nuclear plants, and replaced with Iberdrola. While cracks do occur in nuclear reactors, necessitating shutdowns and maintenance, in this case it was more concerning because iodine pills had been distributed to the local populace. In light of this, there appeared to be increased risk surrounding the name, either from all out disaster, or at the very least, from increased shutdown or closure of the reactors. Given Engie was trading extremely at tight spreads against its peers we felt this risk was not reflected in valuations.

ENGIE

Source: Bloomberg, December 2020

PRI ASSESSMENT – CONTINUAL IMPROVEMENT

We also participate in the annual UNPRI stewardship survey, which involves an external assessment of our stewardship activities, broken down by asset class and activity.

In our latest Assessment Report published in 2020, we received A+ in five out of seven modules, and A elsewhere. In all categories we performed above median. This was an improvement on 2019. A summary of the Assessment is provided in the graphic. It is important to note that this assessment is based on self-reporting, and is not independently verified. Our PRI Assessment Report and our PRI Transparency Report for 2020 are available on our website. https://sarasinandpartners.com/stewardship/

SARASIN & PARTNERS LLP SUMMARY SCORECARD

AUM	Module Name	Your Score	Median Score
	01.Strategy & Governance	A+	A
Direct & Active Ownership Modules			
>50%	10. Listed Equity - Incorporation	A+	A
>50%	11. Listed Equity - Active Ownership	A	B
<10%	12. Fixed Income - SSA	A	B
<10%	13. Fixed Income - Corporate Financial	A+	B
<10%	14. Fixed Income - Corporate Non-Financial	A+	B
<10%	15. Fixed Income - Securitised	A+	B

The key lessons we have taken away from this survey are set out below.

EQUITIES

We increased the number of companies engaged with, and intensity of our engagements in 2019/20.

Areas for improvement:

- Low voting percentage (86%) - primarily due to missing Power of Attorney in key markets; and
- Not notifying enough companies of our votes 'against'

Action taken following report:

- Letters being sent to companies where we voted against for 2020

FIXED INCOME

We improved across the board for our processes and engagement

Areas for improvement:

- Greater efforts needed on direct government bonds
- Improvements in record keeping relating to engagements required

Actions taken following report:

- Enhanced our fixed income engagement tracking process

In 2021 we will be reviewing whether to conduct a third-party audit of our stewardship activities more broadly, to provide a higher degree of comfort to clients around the robustness of our stewardship procedures.

COMPANY AND POLICY ENGAGEMENT – OUTCOME TRACKING

Turning to the effectiveness of our company and policy engagements (two important aspects of our stewardship offering), we provide examples under Principle 4 (for market outreach) and 9 (for company engagements – both equities and fixed income).

POLICY AND PROCEDURE REVIEW

Stewardship policies and procedures are reviewed annually by the Asset Management Team to ensure they remain both accurate and effective. This review is overseen by our Asset Management Chief Operating Officer.

Over the year, where we identify areas for improvement in our stewardship procedures, for example the need to improve tracking systems, we will propose enhancements. Where enhancements are made, these are reflected in the updated policy and procedure documents.

In addition, all documents that are released externally get checked by our Marketing department to ensure they are clear and understandable. Our Compliance department also reviews documents that can be considered financial promotions to comply with relevant regulation.

ASSURANCE OF PROCESSES

Our Risk department routinely reviews our portfolios across a range of risk metrics. In 2021, we plan to add ESG risk analysis to this process to ensure we are implementing our ESG integration work effectively. A key aspect of this work will involve using external ESG data providers to cross check our analysis, and where there is discrepancy, investigating whether we have a strong rationale for having made a different determination of the ESG risk.

Our Asset Management activity is reviewed every three years by our internal auditors, who report directly to our Board. This is important to ensure we are maintaining rigorous standards and identifying any weaknesses that require action.

From 2021, we will extend our internal audit process to incorporate our engagement activities, including adherence to our Ownership Discipline (see Principle 9).

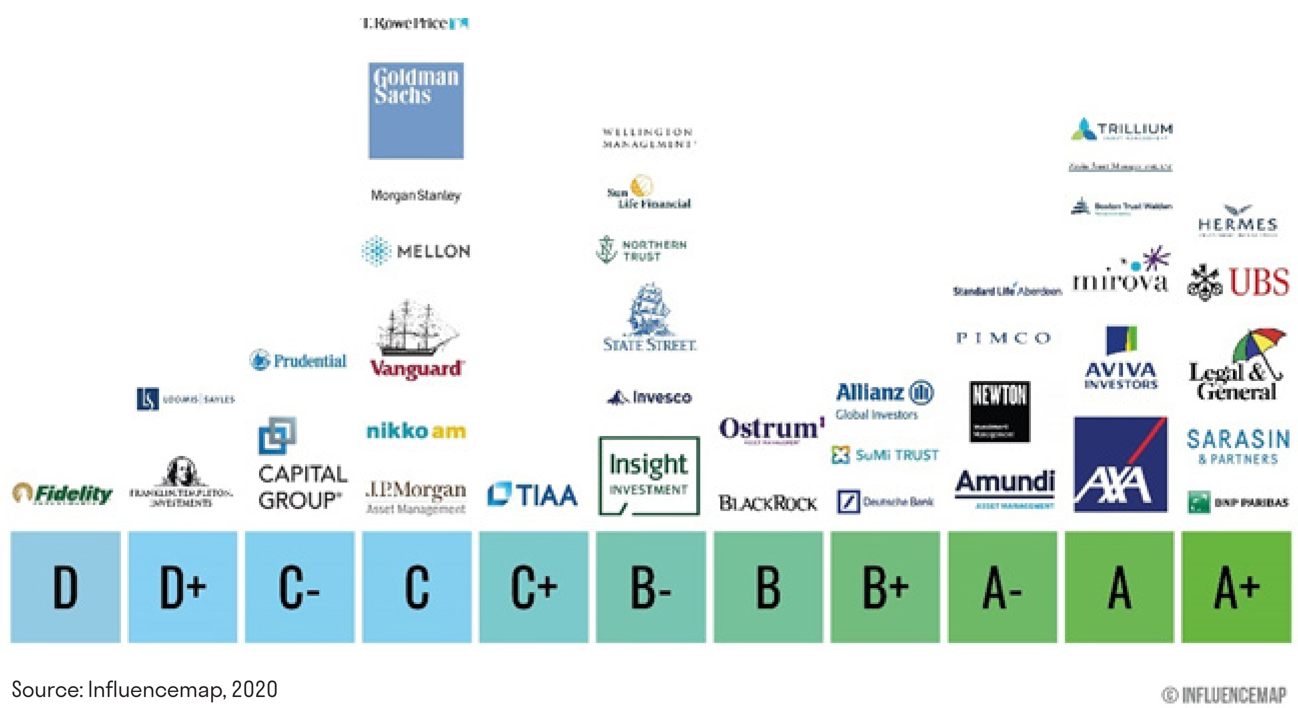
In terms of external verification, we currently obtain an independent opinion from Deloitte LLP that our proxy voting activities are based on the standards of the AAF 01/06 guidance issued by the Institute of Chartered Accountants in England and Wales. This audit is conducted annually.

We also participate in the UNPRI's annual stewardship survey, which involves a detailed survey of our stewardship activities. We have consistently scored well on this (see details above).

In 2021, we were also ranked by an independent non-governmental organisation, InfluenceMap, for our 2020 climate-related stewardship work, and received the highest rating (see summary below). This review was based on published documentation available on our website.

CLIMATE ENGAGEMENT SCORES, 2020

WORLDS 30 LARGEST ASSET MANAGEMENT & RESOLUTION LEADERS



Source: Influencemap, 2020

PRINCIPLE 6

CLIENT AND BENEFICIARY NEEDS

INVESTMENT APPROACH

As highlighted in Principle 1, we operate a long-term investment approach underpinned by a stewardship mindset. At a high level, our aim is to deliver enduring value for our clients in a way that is aligned with a sustainable society. Building on this foundation, we ensure that our investment service is tailored to individual clients' requirements.

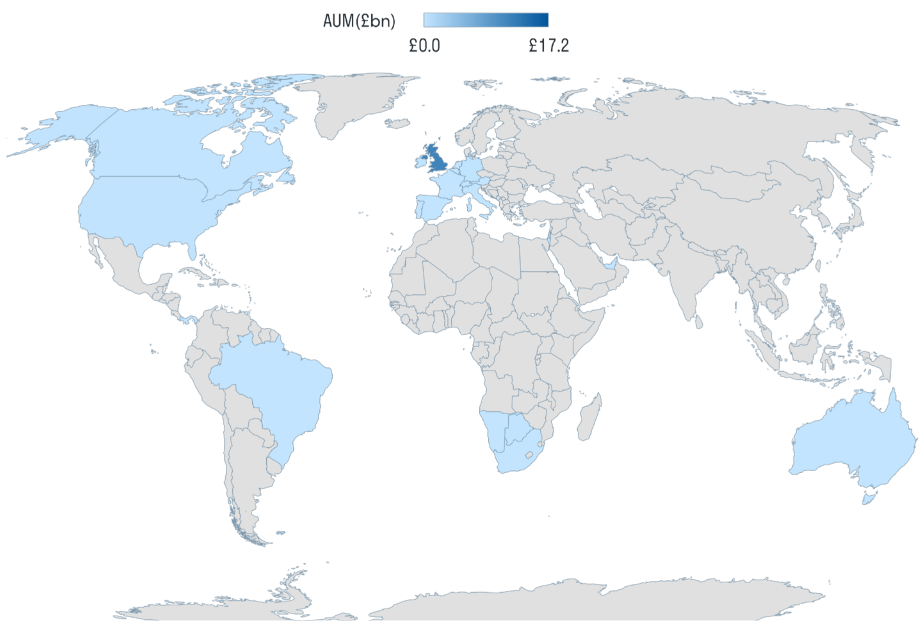
A key aspect of our service is regular client communication. This is vital to ensure our clients are fully and reliably informed of the performance of their assets and stewardship activities undertaken on their behalf, while also providing a forum for us to learn from our clients. Regular communication also ensures that we are aware of our clients' changing requirements and can adjust their portfolios accordingly.

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

CLIENT BASE

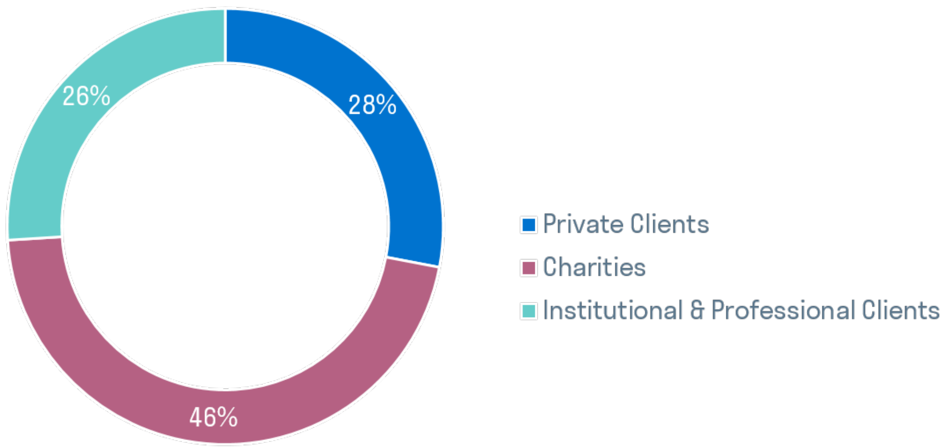
Our client base consists of a broad range of charities, pension funds, institutions, private clients and retail investors. Whilst largely UK-based, our clients are located globally as shown in the charts below.

GEOGRAPHICAL DISTRIBUTION OF CLIENTS



CLIENT DISTRIBUTION AS A PROPORTION OF ASSETS

Regular communication ensures that we are aware of our clients' changing requirements and can adjust their portfolios accordingly.



Sarasin & Partners LLP, as at 31.12.20

INVESTMENT SOLUTIONS, TIME HORIZON AND ASSET CLASS MIX

We offer clients a range of investment solutions that can best deliver their needs:

- high conviction global thematic equity
- income focused strategies, both single asset and multi-asset
- multi-asset solutions
- responsible and ethical investment strategies
- target return strategy

In keeping with our stewardship philosophy and goal of creating enduring value for clients, our time horizon for investing is long term. For equities, our thematic and ESG analysis means we look out over decades rather than years, and well beyond the immediate business cycle. When we analyse equities, we explicitly model forward for ten years. For most strategies, we commit to deliver performance over a rolling five-year period.

ASSET MIX

In terms of our asset mix, the table below provides a high-level breakdown as at 31 December 2020.

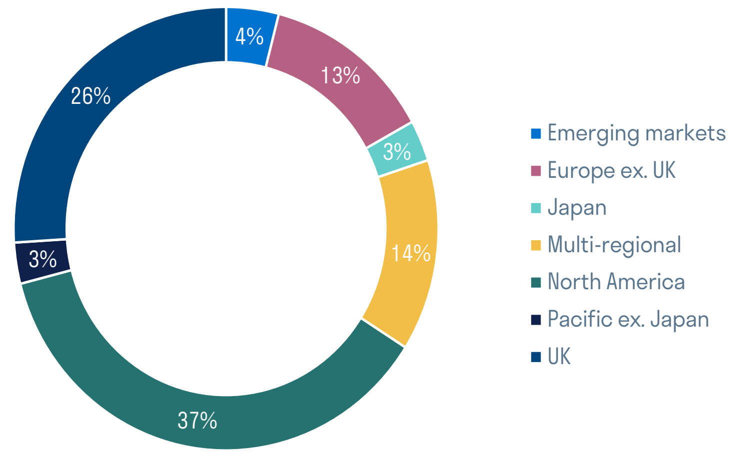
	% OF AUM
Listed equity	>50%
Fixed Income	10-20%
Cash	<10%
Property*	<10%
Alternatives**	<10%

Sarasin & Partners LLP, as at 31.12.20

* Property assets which are primarily through 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 geographic breakdown of our assets as at 31 December 2020. As can be seen from the chart, we invest globally, with North America and the UK accounting for the largest allocation.



Sarasin & Partners LLP, as at 31.12.20

Sarasin & Partners was the first asset manager to register CAIF products, thus ensuring our clients benefitted as soon as possible from this new fund structure.

A COMMITMENT TO RESPONSIBLE STEWARDSHIP UNDERPINS ALL OUR STRATEGIES

All of our strategies are underpinned by our commitment to ESG integration and stewardship (Principle 1), but some strategies have increased emphasis on our ESG and stewardship expertise in response to client demand.

We routinely apply ethical overlays for clients – for example over 70% of our charity portfolios have some form of ethical restriction, with many more of our funds having a published exclusionary policy. Further details of our exclusionary policy can be found on our website here: https://sarasinandpartners.com/wp-content/uploads/2020/05/guide-to-ethical-restrictions.pdf

We also offer investment strategies that place more weight on our internal ESG ratings and/or climate stress testing work (see Principle 7 for further detail on our integrated approach). Examples include our Responsible Global Equity strategy, Responsible Corporate Bond strategy and our Climate Active strategy.

We launched a Climate Active Endowment Charity Authorised Investment Fund (CAIF) in 2018 to provide our charity clients with an investment solution focused on long-term capital and income growth while investing in a multi-asset portfolio that is actively engaging with companies to align with the Paris Climate Agreement.

The CAIF structure was introduced by the UK Government in Q1 2018. The structure preserves many of the benefits of their predecessor, Common Investment Funds, including the tax benefits of being a registered charity, the ability to smooth income intra-years and the ability to have an independent committee to represent charity unitholders. Additional benefits include improved regulatory oversight, and an exemption from VAT on investment management fees.

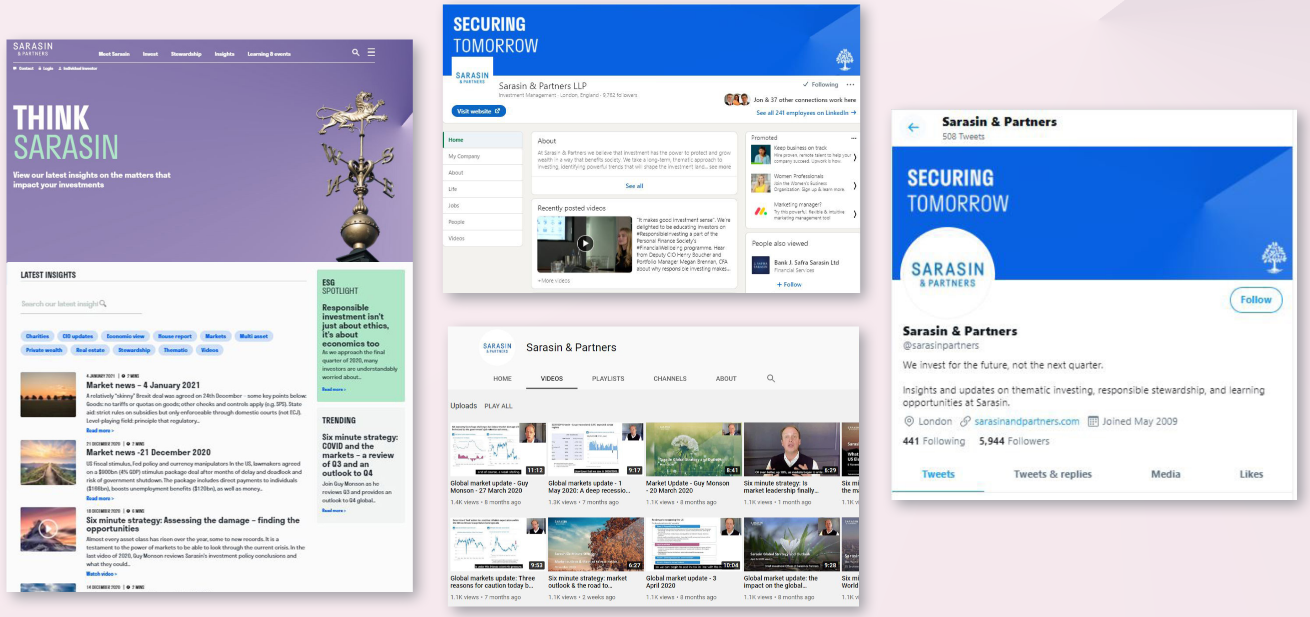
Sarasin & Partners was the first asset manager to register CAIF products, thus ensuring our clients benefitted as soon as possible from this new fund structure.

The Climate Active strategy was also one of the first investment strategies we are aware of that seeks to deliver Paris-alignment for charities, something that many had highlighted was a concern for them. The strategy seeks to bring about, and benefit from, action by businesses to align with the Paris Climate Agreement goals of keeping global warming well below 2°C. It also looks for companies that will be resilient to the physical impacts of climate change. A key aspect of the strategy is to drive positive change by pressing boards of directors to take steps towards strategic and operational alignment with the Paris goals. Where companies fail to articulate a compelling strategy that is aligned with the Paris goals within three years of us initiating an engagement, we will divest[8].

[8]https://sarasinandpartners.com/wp-content/uploads/2020/05/Climate-Active-Brochure-Charities-Q1-2020-1.pdf

CONNECTING WITH CLIENTS

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



COMMUNICATION WITH CLIENTS

As emphasised above, regular, transparent and two-way communication with our clients is vital to ensure we continue to meet their needs, and that they understand how we are acting as effective stewards of their capital. We pride ourselves in offering excellent client service, and this requires a high level of resource and attention.

Below we set out:

- How we communicate with our clients
- How we seek client feedback on our performance
- External rankings

How we communicate with our clients

Client reporting is provided on a quarterly basis in written form. These reports include an overview of performance, attribution analysis, and details of underlying securities held. Clients who own Sarasin & Partners' pooled funds benefit from 'look-through' technology, where valuations set out the amount invested in each underlying security in order to provide clients with full transparency and analysis.

With regards to our stewardship work, voting reports are included, alongside a summary of progress with key engagements and policy initiatives. In response to rising interest in our ESG and stewardship work, in 2020 we also started including our internal ESG ratings for companies held in client portfolios.

Alongside our quarterly performance reports, we also seek to meet with clients at least once a year to present the latest investment report, together with the outlook for the period ahead, and we routinely have conversations with clients wherever questions arise. In 2020 we conducted over 700 client meetings.

We also organise seminars, such as our annual Spring Seminars, our autumn event for Private Clients, our Charity Autumn Seminar for holders of our CAIF, and training events throughout the year. We publish our House Report on a quarterly basis, including articles on key themes or stewardship matters we are working on in the investment team. We have published the Compendium of Investment for over 20 years. This publication, which is updated every other year, forms the basis for our trustee training programme through which we have trained over 5,000 trustees in recent years.

In early 2020, we launched a new website to facilitate more interactive and timely information flows to clients. Alongside our existing stewardship material, which sets out our philosophy, policies and our latest voting data, we have released a number of videos and commentary. We have also initiated a social media presence through LinkedIn and Twitter, and undertaken staff training to enable an increased flow of information for clients and other interested stakeholders.

We have had particular success in gaining followers interested in our stewardship work, including, for instance, the release of our engagement letters and statements calling for Paris-aligned accounting and audit.

Having launched our website just as the world started to grapple with the coronavirus, we were able to ensure ongoing communication to clients at a difficult time, publishing weekly updates from our CIO on the rapidly evolving market backdrop. We have received positive feedback from clients that this enabled them to stay connected to their investments despite being in lockdown.

Seeking feedback from clients

We seek feedback from clients starting with our onboarding process, and then through regular one-on-one dialogues, broader client gatherings, as well as more structured client surveys and feedback forms at events and training sessions. These provide valuable lessons on what we are doing well, and areas for improvement.

They also allow us to understand better which aspects of our stewardship work our clients are most interested in. We have found in recent years a notable increase in interest in this area, and have responded by providing more disclosure of this work. Out of 8,971 valuation reports sent out to clients for Q4 2020, 6,308 valuations (equivalent to 70.3%) had opted into receiving analysis on policy/company engagements, key voting activities and the ESG characteristics of their portfolio.

A key point for ensuring we respect our clients' wishes is when we complete our annual suitability review, which contains questions on other investment considerations they may have – for instance, any ethical and sustainability requirements. This helps to ensure that our investment strategy remains appropriate to each client's portfolio. Within the annual suitability review we cover questions to check that the client understands the impact of their investment decisions and requirements e.g. level of risk versus return, experience of investment, requirement for investment training and capacity for loss.

Adherence to client wishes is clearly of the utmost importance. We have internal checks conducted by our business managers to verify ongoing suitability, that meetings have been held along with regular client communication, that there are no client complaints and that portfolios are being managed effectively within the risk parameters. Any specialist ESG or ethical criteria are hard coded against each client's portfolio on initial set-up and monitored on an ongoing basis as part of pre- and post-trade compliance checks.

We are in regular contact with our clients. We minute all our meetings and phone calls with clients and maintain a record of these on the client file.

Where pertinent, we also offer clients the opportunity to participate in our policy and engagement work, e.g. by signing letters we send to companies or to policymakers. We work in partnership with our clients to develop products and enhance our research in line with their desires. One example is with respect to our Climate Active strategy where we worked closely with a number of charities to design this product.

Lastly, we do a structured client survey every three to four years for both private clients and charities, and recently completed one in 2020. We use these client surveys to understand how well our clients think we are aware of their needs, and use their suggestions to continually improve our services.

External rankings

We have been consistent winners at the well-respected and rigorous PAM (Private Asset Managers) Awards since their inception in 1999. Most recently, in 2020, we were winners in two categories: Investment Performance – Defensive Portfolios, recognising our track record in the management of balanced private client mandates, and Client Service Quality – High Net Worth.

CLIENT SURVEY

The results below from our 2020 survey illustrate the high percentage of clients that see the value in our stewardship work:

85% strongly agreed or agreed that Sarasin's approach to stewardship is integral to long-term financial returns

75% strongly agreed or agreed that they were well-informed on stewardship activities impacting their portfolios

70% strongly agreed or agreed that Sarasin & Partners is a market leader in stewardship, responsible and ethical investing

58% strongly agreed or agreed that Sarasin's credentials in Stewardship and ESG investing were a key determinant in the appointment to manage their portfolios

Sarasin & Partners LLP 2020 Client Survey

PRINCIPLE 7

STEWARDSHIP, INVESTMENT & ESG INTEGRATION

As underlined in Principle 1, responsible stewardship is not just a core value, but also fundamental to our investment offering. There are three core pillars to our approach:

1. A global thematic approach to investment that embeds rigorous environmental, social and governance analysis
2. Active ownership to ensure alignment with sustainable value creation
3. Policy outreach to support sustainable growth.

In this section, we focus on pillar 1, or our approach to selecting securities in which to deploy client capital. We look first at our equity investment process, and then turn to fixed income and alternatives.

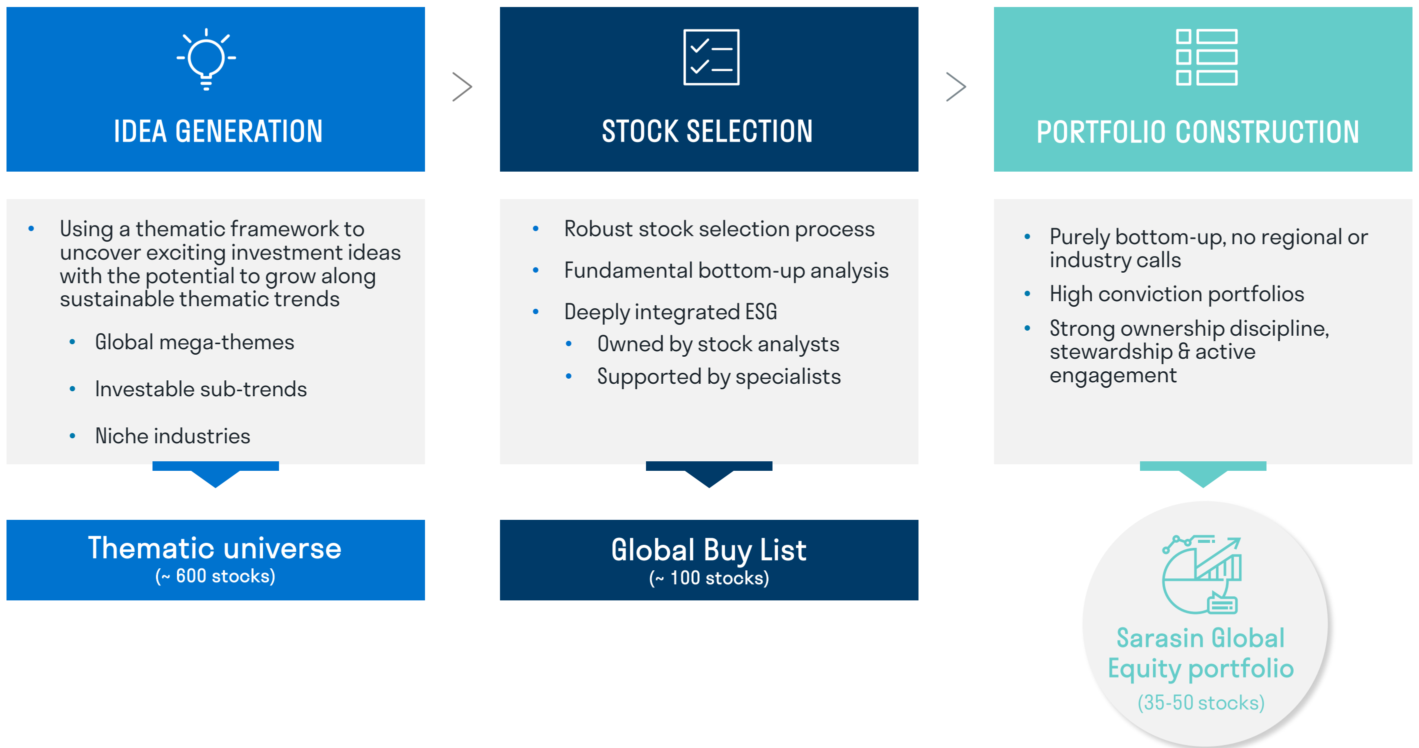
Our approach is long term and global. As noted under Principle 6, we look through business cycles to focus on societal trends that we expect to endure for decades. For most strategies, we commit to deliver performance on a rolling five-year basis.

The analysis involves a team approach, with analysts working alongside the stewardship leads. Stewardship experts sit within the equity team, but also support work in our fixed income and alternatives teams (please see organigram under Principle 2).

EQUITIES

ESG considerations are embedded in all three stages of the process, from idea generation, which looks for long-term thematic trends (such as ageing or climate change – see diagram below); to stock selection, which incorporates bottom-up ESG and climate impact analysis; to portfolio construction, where we determine our engagement plans.

SARASIN EQUITY INVESTMENT PROCESS



IDEA GENERATION: OUR MEGA-THEMES

The first step is idea generation. We look for opportunities in places we anticipate long-term sustained growth underpinned by what we describe as mega-themes.

We believe these mega-themes will endure because they are aligned with a sustainable society, and that underpins a key element of our investment philosophy; we wish to invest in a way that supports improvements in societal welfare over the long term.

STOCK SELECTION

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

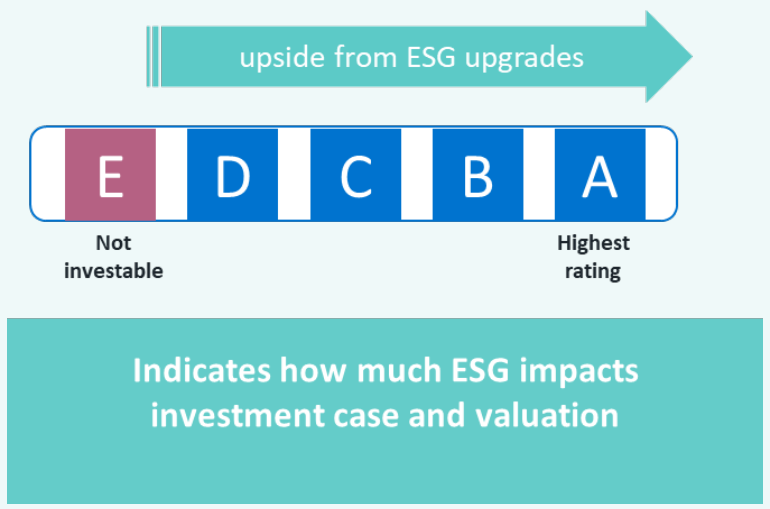
The key components of our ESG analysis are:

1. **3x5 ESG factor analysis**: we carry out a detailed assessment of a company's impacts on 15 specific E, S and G factors. This is an absolute analysis, rather than relative to peers in an industry. Each factor is given a Red, Amber or Green (RAG) traffic light to reflect the severity of the impact on the environment, people or governance.
2. **ESG Traffic lights**: based on the assessment of the 15 factors, we draw out an overall traffic light for E, S and G representing how material the adverse impact is.
3. **Overall ESG rating**: an overall ESG rating of A to E with momentum indicators (+/-) is given. This translates the adverse impacts identified in the traffic lights into a rating reflecting the materiality for the entity concerned. In essence, it captures the extent to which harmful external impacts are internalised. "A" points to ESG as a positive tailwind for the investment case; "E" is un-investable due to ESG risks, and would be taken off our internal buylist. Whether the overall ESG factor is a headwind or tailwind, this is then reflected in the valuation model.

SARASIN THEMATIC FRAMEWORK

ESG KEY ISSUES ASSESSMENT

OVERALL ESG ASSESSMENT



A TEAM APPROACH FOR DETERMINING THE ESG RATING

The lead analyst on a company, working within the stock team along with the stewardship team member, will propose the ESG rating as an integral part of bringing a stock idea to the team. The investment team will scrutinise the ratings as part of our stock approval process. In the event of diverging views, the stewardship lead makes the final decision.

Materiality is modelled based on an understanding of the economics, not rules: since specific ESG issues will be more or less material depending on a company's sector and business model, we do not adopt a formulaic link between the "traffic light" assessment and overall ESG rating. Instead, the stock initiation materials illustrate how our assessment of material ESG issues (structured by the "traffic lights") has informed our view of a company's ESG risk and materiality, which is captured by the letter rating.

INTEGRATION INTO VALUATION

The ESG analysis is explicitly reflected in the company's model and valuation. This analysis will depend on the case in hand, so analysts use their expertise to determine how the economics of the business will be impacted, for instance whether the specific issue will alter top line growth, margins/costs, or general risk best captured through a change in the discount rate.

PURCHASE AND PORTFOLIO CONSTRUCTION

A final decision to accept a stock onto the buylist is taken only after a detailed due diligence process that can take several weeks. The process kicks off with a Short Note on the company outlining the core elements of an investment thesis, including ESG considerations.

This is presented to the team and, where the team votes in favour of moving to the next stage, further analysis is undertaken, guided by detailed team questions. A pre-mortem is also undertaken by another member of the team to identify weaknesses in the investment thesis. Valuation work is added, to produce a Full Note for presentation back to the equity team. A final vote is then taken, including by ESG/stewardship experts, for entry onto the global buylist.

Once a stock is placed onto the buylist, then it can be purchased. Any ESG concerns are flagged for engagement once the stock is bought. Portfolio managers are responsible for determining timing and the size of the position.

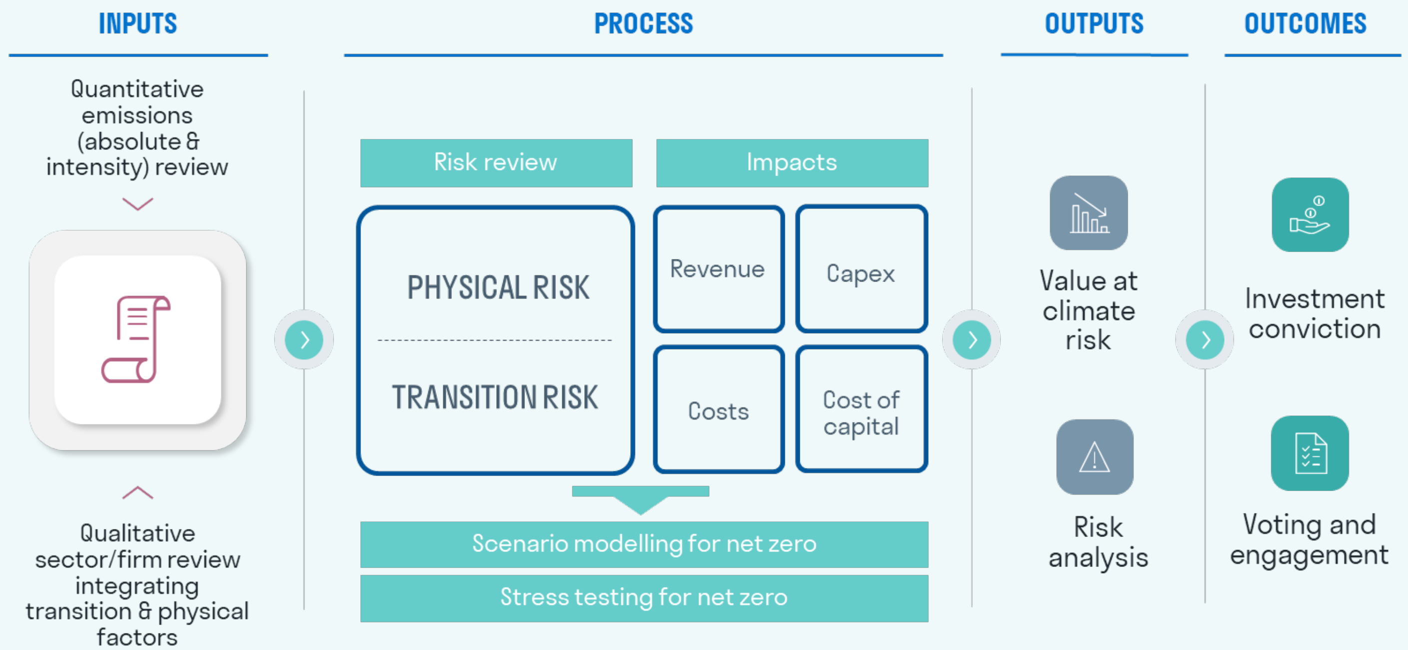
Details on our engagement and voting activities are outlined under Principles 9–12.

CLIMATE STRESS TESTING

In 2020, we have also devoted increased attention to climate risk analysis and rolled out climate stress testing across the most climate-exposed holdings.

This work has come alongside increased efforts to identify attractive investment opportunities for our buylist under our climate change mega-theme.

Taken together, we have been able to improve our exposure to climate solutions and reduce our climate risks in all our portfolios, as evidenced by our decision to exit all our oil and gas holdings in our core strategies.



ESG RESOURCES

We undertake primary analysis to form a view of ESG factors, drawing on a wide range of sources, including the company's legal disclosures to shareholders (e.g. annual report and accounts/10K), external experts, non-governmental organisations, government publications and discussions, and our own voting analysis.

ESG-specialist service providers we pay for include: MSCI ESG research, ISS proxy analysis, HOLT, Proxy Insight and expert network interviews.

We are also members of a range of networks and associations that provide valuable insights of a range of ESG issues, including the International Corporate Governance Network, Institutional Investor Group on Climate Change, Asian Corporate Governance Network, Conference for Institutional Investors, Workforce Disclosure Initiative, CA100+, Climate Disclosure Project to name a few.

On occasions Sarasin & Partners has engaged with such entities to enhance their messaging and encourage additional research. Examples include efforts to ensure our proxy agency, ISS, improves its analysis of auditors' performance and independence, as well as requests that they incorporate more climate analysts within their core advice on directors and auditors.

Other research providers are those who provide analytical and financial modelling of corporates. Over the last few years we have shifted our use of research providers away from those that have weak coverage of ESG issues and partnered with those who are developing their own proprietary ESG data. For some, we have acted as partners in their efforts to develop more valuable ESG inputs. One example is an entity who supports our equity modelling work, which has developed a tool to embed ESG factors into all our financial models. We have also worked as advisers to Redburn on the integration and development of their ESG platform.

As highlighted under Principle 8, ESG and stewardship service providers are evaluated through a formal half-yearly feedback process as well as monitoring on an ongoing basis, in line with MiFID II regulations.

IMPACT OF OUR ESG ANALYSIS FOR INVESTMENT DECISIONS AND ENGAGEMENTS

Our ESG analysis directly and demonstrably impacts our stock purchases and sales, and ultimately client outcomes.

Under Principle 5 (Review and Assurance), we provided detail from 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 have tended to outperform our D-rated stocks, but we have found evidence that decisions to sell companies' securities on ESG grounds, as well as decisions not to buy other securities, have contributed to protecting and enhancing our clients' capital. While there are a number of statistical limitations to this analysis, and thus we treat the result with caution, this has provided comfort that our ESG process adds value.

To provide evidence that our ESG work is impacting our investment decisions, we are increasingly tracking metrics for different points in our process, ranging from the follow through from an ESG rating change to a security rating change to an investment decision (reduce, increase, buy, or sell). For a simple illustration, in the past three years, 15 out of 34 stocks that failed our process did so due to an ESG issue. Likewise, in the past three years, we have exited nine full positions across our five flagship global equity strategies following an ESG downgrade. We will be expanding this work in 2021, and hope to provide more detail in our next Stewardship Report.

On the opportunity side, it is worth stressing that the vast majority of our equity holdings have significant social or environmental tailwinds as a result of our thematic process. For instance, all our stocks under our Climate Change theme have strong climate-related tailwinds. These account for 15% of our global equity buylist. Likewise, companies in our ageing theme are beneficiaries of increased efforts to improve livelihoods in old age. These account for a further 15% of our buylist.

Finally, there is a direct flow from our ESG analysis to our monitoring and engagement work (see Principle 9 for details on our Ownership Discipline). For every security, we have identified potential adverse ESG impacts through our 3x5 ESG traffic lights outlined above. Where we then decide to buy a security, the ESG traffic lights guide us towards our engagement priorities. In other words, where we find 'amber' or 'red' issues, we will raise these with management and the Board when we meet. Where the issues are more material, we will draw up an Engagement Plan and initiate a more involved engagement.

FIXED INCOME

We combine top-down screening and thematic tilts with bottom-up ESG analysis in our fixed income process.

Screening

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

Sustainability-themed investing

Within fixed income, we have a strong preference for lending to entities whose activities contribute to sustainable growth and/or generate positive externalities – this leads to overweight allocations versus the benchmark to sectors including renewable energy infrastructure, housing associations, education, public transport and the not-for-profit sector.

Integration of ESG issues

In addition to screening and favouring sustainable issuers, we also undertake bottom-up ESG assessments. We use a Materiality Map to assess the exposure of each industry sector to the 15 ESG factors we focus on. This is useful so we can look at a sector, identify how important E, S or G is for that sector and then identify a risk range for all issuers in that sector.

We assign a risk weighting for each of the 15 factors for each sector from 1 (low risk) to 3 (high risk). These five scores are then added up to come up with a materiality risk weighting for E, S and G for each sector (with a higher score equalling an increased materiality).

We then use these materiality scores to give a guidance range of Issuer scores within that sector or industry. Sectors with high materiality will have a lower guidance range for issuer scores, while sectors with low materiality scores will have a higher guidance range for issuer scores.

We use Bloomberg ESG data feeds to help us differentiate between individual issuers' ESG risks and resultant ESG scores. While Bloomberg data is not available for all issuers we hold, this data source is growing and becoming more robust. Issuers that do not have available Bloomberg data require more qualitative analysis and analysts have discretion to score these issuers on what data can be obtained outside of Bloomberg.

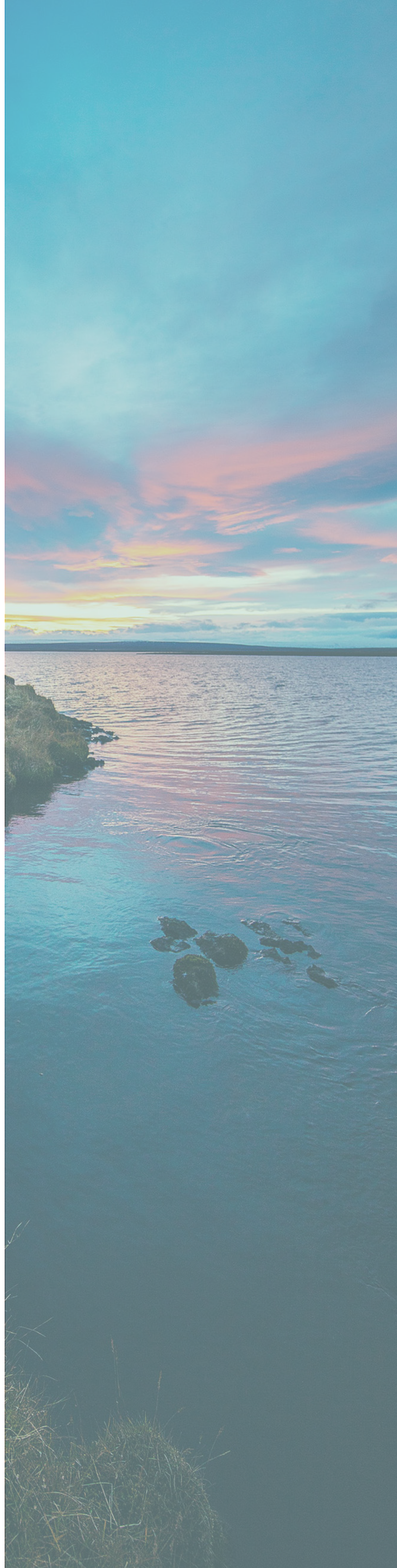
The above ESG analysis then feeds into our "Six Blocker" credit analysis framework, where we integrate the ESG risk evaluation into an overall internal credit rating spanning(AAA- CCC.

The quantitative analysis complements our qualitative ESG analysis. The aim is not only to provide for a comparison within sector (or cross-sector) but also to identify issuers that may be lacking on ESG reporting versus peers. This helps us in our engagement process as it should strengthen the argument if an issuer shows underperformance on certain segments and/or lacks in terms of disclosure relative to peers. Given there are a number of fixed income issuers that lack data metrics, or are too small to have the scale to report ESG effectively, analysts retain the ability to score manually using qualitative analysis.

ALTERNATIVES

We invest in alternative assets through publicly-listed vehicles, normally closed-ended funds. Negative screening is in place for a range of harmful activities such as weapons production, alcohol, tobacco, gambling and thermal coal. An integral part of the due diligence process involves an assessment of target funds' ESG and stewardship performance.

Alongside a detailed evaluation of the investee funds' own governance structures, we seek confirmation that investee funds integrate ESG factors in their investment process, including climate risk. We ask for evidence that this integration is meaningful, and thus impacts investment decision-making. We also seek funds that take seriously their stewardship responsibilities, with evidence that they will proactively engage with underlying investments where concerns arise.



PRINCIPLE 8

MONITORING MANAGERS AND SERVICE PROVIDERS

Sarasin & Partners' ESG and stewardship service providers are evaluated through a formal half-yearly feedback process as well as monitored on an ongoing basis.

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.

Quality is assessed and verified at the point of use. Department-wide surveys are carried out every six months to evaluate the value of each counterpart to each team member. The results of these surveys are combined with live CRM 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 to terminate the agreement. In 2020 we terminated three counterparty agreements and adjusted the contract terms of two others to better align it with our assessment of value. Analysts also actively engage with the voting process and investigate discrepancies with the third-party proxy voting service, ISS, when identified.

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 includes consideration of whether the service provider is fulfilling requirements, if there are issues and how might those requirements be met if they were to fail, including engaging with viable alternative providers. Ahead of the move to remote working we reviewed all outsourced providers' business continuity plans and engaged with them on their readiness to deal with the challenges the pandemic would present.

NETWORKS AND INITIATIVES

Beyond our contracted service providers, we set out under Principle 7 a broader range of initiatives and third-party entities with whom we interact, either to get additional insight on the entities in which we invest, but also to encourage the provision of better ESG analysis to the market. Examples include the International Corporate Governance Network, Climate Disclosure Project and the Institutional Investor Group on Climate Change. As noted in Principle 7, these relationships are closer to partnerships, although in several cases we pay annual membership fees. With these relationships, we also undertake an annual review to determine whether to continue our support.

PRINCIPLE 9

ENGAGEMENT

The collective failure of asset owners and managers to properly monitor and hold executives to account is widely viewed as a weakness with 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 at its heart an ownership mindset. 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. In particular, our engagement work with companies aims to address identified adverse impacts for society, strategic questions, and/or governance failures, with a view to protecting and enhancing our clients' capital (Principle 6).

SARASIN'S OWNERSHIP DISCIPLINE

To ensure rigour, consistency and ultimately impact in our ownership work relating to equities, we implement a structured Ownership Discipline[9].

This process sets out the steps we take as an owner on behalf of our clients from the day we purchase shares, including monitoring, voting and addressing problems through escalation steps where these become necessary. The process helps to ensure structure and keeps us results oriented. It also sets out criteria for where inadequate action may lead to a sale.

An overview of the process is presented in the schematic below.

SRD II DISCLOSURE NOTE:

In line with SRD II, COBS 2.2B.51(a) and (b) requires Sarasin & Partners to produce an engagement policy and to publicly disclose how it has been implemented annually.

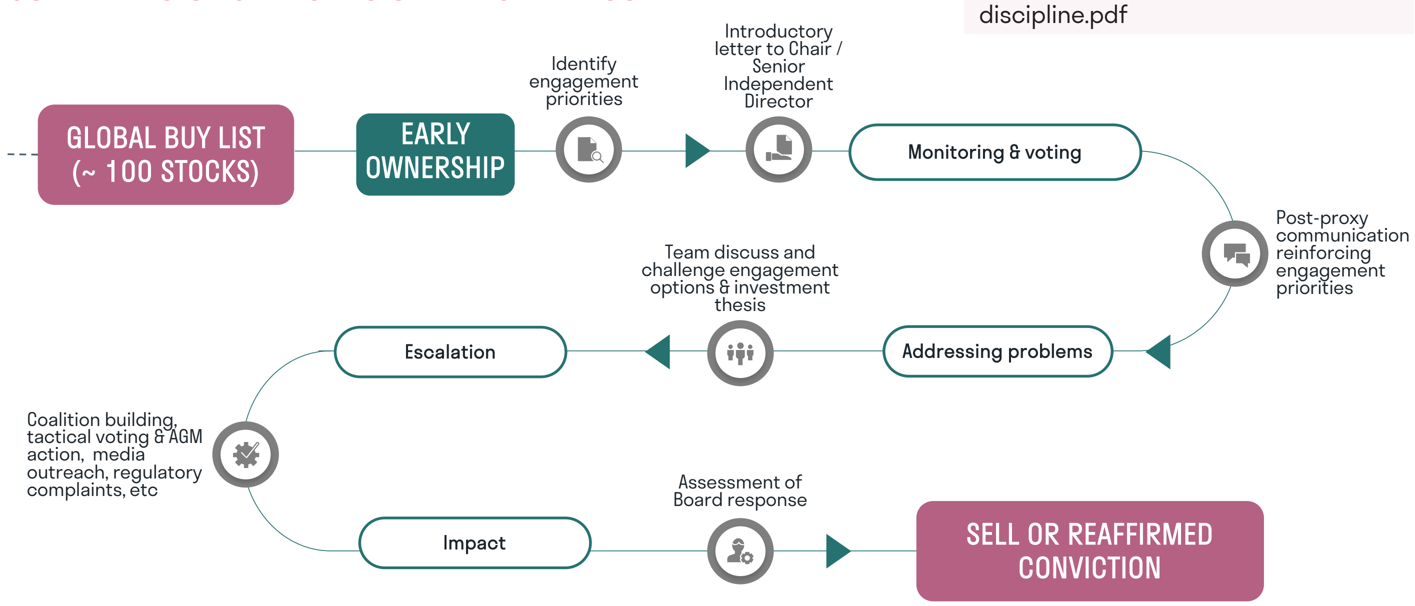
This disclosure must meet the requirements of COBS 2.2B.7R, which specifies that the annual disclosure must include a general description of voting behaviour, an explanation of the most significant votes, and reporting on the use of the services of proxy advisors.

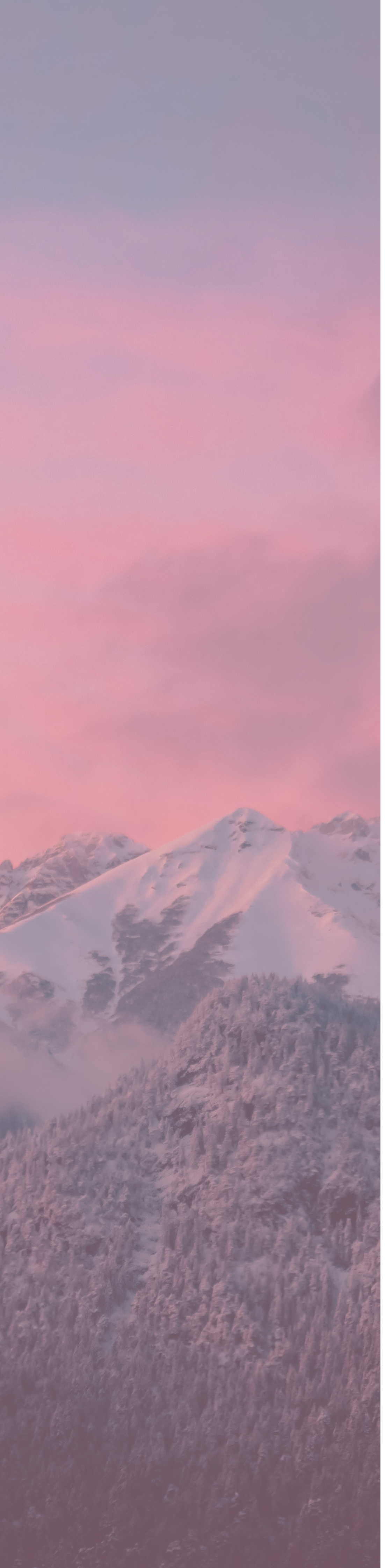
Under Principle 9 of this publication, we provide a summary of Sarasin's Engagement Policy, as also set out on our website http://sarasinandpartners.com/wp-content/uploads/2020/05/engagement-policy-november-2019.pdf

Details on our voting and use of proxy advisors are provided under Principle 12.

[9]http://sarasinandpartners.com/wp-content/uploads/2020/05/ownership-discipline.pdf

SCHEMATIC OF SARASIN'S OWNERSHIP DISCIPLINE





Early ownership: following the purchase of a company's shares, we write to the company's leadership – and ideally the Chair or Senior Independent Director (SID) of the board where this is possible – to introduce ourselves, outline the basis for our investment thesis and set out the identified areas for engagement.

Ongoing monitoring: our ongoing monitoring involves regular exchanges through calls and/or face-to-face meetings with senior executives, and wherever possible the company Chair, Lead Independent Director, or other non-executive and independent board members. We exercise our votes according to our Corporate Governance and Voting Policy. 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 letter form.

Escalation (see also Principle 11): 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, 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 necessary internal communication, review and legal checks.

Impact: we track the progress and outcomes of our engagements. We update our records regularly and progress of live engagements is discussed at our weekly global equities team meeting.

Where the goals of the engagement are achieved, or we determine there is inadequate progress, we may decide to stop the dialogue.

Knowing when to stop: just as we are committed to fulfil our clients' ownership responsibilities, it is just as important 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 will be remote. Likewise, there will be cases where we fail to achieve our objective.

In these instances, beyond clearly setting out our concerns to the board, we will deploy our efforts elsewhere. We will also carefully review our conviction in the investment case, to determine whether or not we should continue to hold the company's shares.

Once we sell a stock, we will stay alert to further progress. Impacts from engagements can often come months or even years after initial dialogue was initiated.

Sale discipline: sometimes, difficulties with an engagement will lead us to sell the investment. Even where an engagement is progressing well, however, 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 quick 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 note.

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.

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 inevitably have to prioritise those engagements we believe to be most urgent and impactful.

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

1. Materiality for the holdings;
2. Feasibility – our ability to drive change; and
3. Ripple effect potential – potential to catalyse broader behavioural change in the market.

It is worth stressing that we are not focused exclusively and separately on ESG. Rather our aim is to protect and enhance our clients' capital and thus we consider any concern spanning governance, strategy, operational behaviour, and/or external adverse impacts and reputational risks as potential engagement topics. The overarching point is that we have a long-term stewardship mindset, and wish to ensure our companies are behaving in alignment with a sustainable society, not at its expense.

RESOURCES

Our Ownership Discipline is not solely the responsibility of our stewardship experts, or any particular individual to implement. Each and every member of our asset management team takes on this responsibility. 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 strategy.

REPORTING

As discussed under Principle 6, we provide quarterly reports on our ownership activities to clients, as well as real-time updates where appropriate on our website.

The following are recent examples of our company engagements.

A SUMMARY OF OUR 2020 ENGAGEMENT ACTIVITY

ENGAGEMENT TOPIC	NO. OF COMPANIES ENGAGED
Board of Directors	35
Committees and reporting (e.g. auditors, financial statements)	33
Corporate structure	1
Remuneration	38
General governance (e.g. anti-takeover, auditors, shareholder rights)	4
Climate risk	56*
Environmental (ex climate risk)	7
Social	12
Total	186

*This includes engagements seeking Paris-aligned accounting that we coordinated with the support of IIGCC and involving 32 companies not on our buylist.

SOCIAL EXAMPLE: ASSOCIATED BRITISH FOODS

Our engagement: as lockdowns spread globally in response to the COVID-19 pandemic, we became increasingly concerned with making sure that our clients' companies reacted responsibly. As outlined under Principle 4, we initiated a COVID-19 outreach effort, focusing on companies in the hospitality, travel and retail sectors. For these companies we undertook a risk-mapping exercise to examine actions it had taken towards key stakeholder groups (e.g. customers, staff, suppliers) and based on this decided whether or not a deeper engagement was necessary. Associated British Foods was identified as a COVID-19 risk company (see below).

In May, we spoke to the Financial Director of Associated British Foods. Our concerns centred around 1) Primark's cancellation of all new garment orders and lack of commitment to pay for outstanding orders, 2) the possible withholding of rent payments from landlords, and 3) the health and safety of workers and customers during furlough and business reopening.

Our engagement with the company has reassured us in some areas but some issues remain outstanding:

- **Suppliers** – whilst the company reversed its stance on paying their suppliers, and announced a new wage fund for garment workers, this followed a widespread outcry. Furthermore, the Financial Director was not able to provide us with sufficient information on the operation of the wage fund for garment workers in the poorest countries. We sought more information.

- **Treatment of employees** – we are broadly happy with the terms on which workers have been furloughed, although we would like more information on variations across jurisdictions. We also gained some reassurance that, as stores began to reopen, the company had strong health and safety controls. We continue to monitor the situation closely.

- **Landlords** – we expressed our concern that its approach (unilaterally withholding rent) exposed the company to negative scrutiny.

Impact: following our engagement, Associated British Foods has announced that negotiations with landlords on rents have "progressed", with most now paid or about to be paid. The company has also indicated the level of new orders to suppliers and provided more details publicly on the payout of the wage fund.

CLIMATE CHANGE EXAMPLE: BP

In 2020, we saw significant success with our outreach to oil and gas companies BP, Shell and Total, and specifically our call for the boards to ensure their financial statements were drawn up using assumptions aligned with the Paris Climate Agreement. Here we focus on the case of BP.

Our engagement: we escalated an ongoing engagement with BP in November 2019 by drawing together a group of other investors representing roughly $1 trillion in AUM. We coordinated an investor letter to BP's Audit Committee and its auditor, Deloitte, setting out our expectation for Paris-aligned accounts to ensure shareholders had a true and fair view of the company's underlying capital

OVERVIEW OF COVID-19 RAG ANALYSIS FOR ABFOODS WHICH LED TO ENGAGEMENT

STAKEHOLDER	RAG	KPI CATEGORY	ISSUES
CUSTOMERS		• Vulnerable (elderly/underlying health condition/poor) as % of customer base	• Vulnerable retail customers will need protection. No info yet.
STAFF		• % staff laid off • % staff furloughed • % staff with pay-cuts (% pay cut)	• % layoffs not disclosed • 100% of UK Primark employees furloughed (c30,000). Unclear situation with international workforce.
SUPPLIERS		• % suppliers terminated • % suppliers not paid / partially paid	• Primark cancelled all new orders. No commitment to pay outstanding orders. Severe impact on suppliers. Some mitigation with wage fund for garment workers. • Not disclosed but may be withholding rent. Discussions ongoing with landlords.
EXECUTIVE PAY		• Votes again remuneration in past • Quantum red flag • No /limited action taken to reduce pay (e.g. deferral not reduction)	• Voted against: lack of shareholder alignment predominantly • Quantum concern re FD pensions • Execs 50% salary cut & no bonuses (CEO, FD and Primark CEO). NEDs 25% reduction
SHAREHOLDERS		• Dividend cut • Share buyback cut	• Likely to cut interim div declared end April
TAXPAYER/ GOVERNMENT		• Government support utilised – wage support; tax forbearance; subsidized loans; etc.	• Wage support

FURTHER DEVELOPMENTS

- **20 April** – ABF announce they will now pay suppliers all outstanding orders, U-turning previous stance.
- **28 April** – we email ABF the ICCR investor statement.
- **13 May** – call held with John Bason, FD

strength and performance, in a world that was transitioning to net-zero emissions by 2050.

We asked specifically that critical accounting assumptions, such as its long-term commodity price assumptions, reflect accelerating decarbonisation. We pointed to recent guidance from the International Accounting Standards Board as well as the UK's Financial Reporting Council, backing our call for the inclusion of material climate risks. We also pointed out inconsistency between its narrative report in which it commits to supporting the Paris Agreement, and its financial statements which did not appear to be aligned with the Paris Agreement.

Impact: the impact of our engagement was first evident in BP's 2019 Annual Report, published in the spring of 2020. Climate risks were identified by Deloitte as a Key Audit Matter, with an emphasis on the implications for long-term commodity price assumptions. Management decided to lower its long-term oil price to $70 per barrel from $75, but kept its gas price at $4 per mmBtu. Critically, Deloitte highlighted that these assumptions were above what could be considered Paris-aligned.

While BP responded to our engagement in the 2019 Annual Report, the more striking impact came a few weeks later. In June 2020, BP issued a press release to announce that it would be lowering its long-term oil price assumption to $55/bbl and the gas price to $2.90/mmBtu. Importantly, it attributed this reduction to the energy transition in line with Paris. The result of this reduction would be an estimated impairment of between $13.5 and $17.0 billion. This is equivalent to just under 20% of its reported net assets for the year ending December 2019.

This decision to adjust its accounting assumptions to reflect the goals of the Paris Agreement (and associated decarbonisation) is a watershed moment, with the potential to create a chain reaction within the energy sector and beyond. The more companies' financial statements are Paris-aligned, the more company capital deployment will be Paris-aligned. This is because their accounting numbers are key to driving capital allocation. It was no surprise, in our view, that shortly after announcing multi-billion dollar write-downs, BP increased the ambition of its net-zero emissions pledge.

We have seen widespread media coverage, and are already seeing signs of a ripple effect across a broader array of companies and geographies.

CLIMATE CHANGE EXAMPLE: BARCLAYS

Our engagement: in 2020, we supported a ShareAction-led engagement with Barclays to press for a commitment to align its financing activities with the Paris Climate Agreement. We were the only asset manager to co-file a Shareholder Resolution alongside a group of asset owners and individual investors. We devoted resource to this engagement because it had the potential to create a ripple effect for other banks in the UK and globally.

Impact: just prior to its AGM at the end of March 2020, Barclays declared its intention to incorporate a Net-Zero Emissions Ambition into its Article of Association. While this was not a 'Commitment' that we had pressed for, the message is nonetheless powerful: continuing to finance activities that undermine planet stability is not in anyone's interests, and certainly not shareholders. This was ground-breaking for a European bank.

In making this commitment, Barclays conceded that curtailing lending to fossil-fuel-based activities is vital not just for the planet, but also to minimise the risk to shareholders from stranded assets within the loan book. The Bank of England recently estimated that loan exposures to fossil-fuel producers, energy utilities and emission-intensive sectors amounts to around 70% of the largest UK banks' Core Equity Tier 1 capital. In other words, an uptick in default rates in these sectors could materially reduce bank capitalisation.

What matters now is that Barclays' Board sets robust nearer-term targets that leave no doubt about its determination to deliver net-zero emissions by 2050.

GOVERNANCE EXAMPLE: ESSILORLUXOTTICA

Our engagement: in early 2020, EssilorLuxottica revealed a $200m fraud at an Essilor manufacturing facility in Thailand. While the size of the fraud is small compared to the market capitalisation of the company, we remained concerned over internal control deficiencies. We were also concerned that the fraud might exacerbate governance conflicts between Essilor and Luxottica directors, which we have had concerns over (and undertaken a in-depth engagement on) since the two entities merged in 2019. In March, the co-CEO and the co-CFO from Essilor resigned, suggesting further disquiet at senior levels.

Although the market responded well to reassurances provided by the company following the last Annual General Meeting (AGM), conflicts between the two sides were not fully resolved. Consequently, we coordinated a joint investor letter to the Board in Spring 2020, reiterating our previous asks: 1) put in place a succession plan for key Board members, 2) update the market on progress with the ongoing CEO search, 3) appoint a lead independent director with whom shareholders can discuss governance concerns, 4) consult shareholders on executive remuneration, and 5) provide a written assurance that directors' fiduciary duties would not be undermined by the terms in the Combination Agreement. This was our fourth letter, and it was signed by investors representing over 5% of the freely floating issued share capital.

Alongside this collective letter, we sent a letter to two regulators (AMF and HCGE). The AMF acknowledged receipt of our letter, but, as per their protocol, they would not update us any further any progress they will make.

Ongoing: following our initial success with last year's substantial support from minority investors for shareholder proposed independent directors, it is clear we are not alone in our concerns. While, at the end of 2020, we were still awaiting a response from the Board, it was welcome to see on 18 December 2020 the appointment of a new sole

CEO Francesco Milleri, which gives some overdue clarity. Notwithstanding this advance, we continue to monitor developments and, if the key issues we raised with the Board are not addressed by the time of the 2021 AGM, and we remain shareholders, we will consider what further action we might take.

FIXED INCOME: ENGAGEMENT

We also pursue dialogues with companies on ESG matters where we hold debt instruments because, as for equities, we believe that ESG engagement can reduce the credit risk of a given sector while also affecting positive outcomes for the society and the planet.

The key difference with equities, of course, is that creditors do not have a vote at company meetings, or other powers to convene meetings. But they can exert influence in many of the other ways outlined above. Particular points include when creditors have leverage prior to new issuances – when the terms of the Security Trust and Intercreditor Deeds (STIDs) are set, and when bond holders get a vote on a corporate action (see Principle 12 for more detail on our approach to voting). We may also engage at other points and in some cases, we undertake a joint engagement when we hold both shares and credit for the same issuer.

Process: normally, we 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 a more personal relationship with companies and more tailored responses to our questions.

We track our interaction with companies, monitor the outcomes and report on our progress to clients (Principle 6). When engaging we look for evidence that companies are doing what they say on ESG-related matters. In 2020, we improved our ESG quantitative overlay, which is helping to steer the engagement process.

Prioritisation: in 2020, we undertook engagements with 20 issuers as creditors, across a range of sectors, on topics such as treatment of customers, climate change, governance weaknesses and COVID-19.

In determining which engagements to prioritise, we take into account:

- the size of a holding,
- materiality risk related to ESG, and/or
- lack of disclosure on ESG.

Where we feel ESG risks are more material for issuers the more we will engage those issuers. Certain sectors, say energy or industrials, often have more material ESG risks than others.

Some of the credit assessment tools we use are sensitivity analysis and stress testing which can show us the potential range of impacts on issuers' financial fundamentals from ESG risks i.e. profitability or capital hit from a small or large regulatory fine on the back of governance weaknesses.

Where there is a lack of disclosure we are alert to heightened risks. For instance, with Housing Associations there is a lack of uniformity of reporting across the sector. Currently, we closely follow developments initiated by a working group to develop a blueprint on ESG reporting standards for Housing Associations. This is expected to be finalised later this year, after which a more targeted and efficient engagement can be implemented.

Our engagement approach is the same across all our fixed income strategies and geographies; we engage wherever ESG concerns are material.

Focus: financials

Our engagement prioritisation with financial issuers is a function of the severity of ESG risk, size of bond holdings and position in the capital structure. We tend to prioritise engagement with issuers where we hold bonds at the riskier end of their capital structure. Most importantly, though, we focus our ESG engagement efforts on issuers facing elevated ESG risks that may adversely affect their franchise and financial fundamentals.

Specifically, such risks can:

- cause reputational damage and consequently franchise erosion
- lead to a material impact on banks' P&L and balance sheet
- can be spread moving and therefore negatively impact the value of our investments.

Focus: Green bonds and 'greenwashing'

Another area of focus has been engagements with issuers of green bonds to protect against greenwashing. We scrutinise, in particular, the use of proceeds to ascertain it will genuinely promote a more sustainable outcome. In certain instances, we decide not to purchase green bonds where the engagement fails to resolve concerns. A good example is Snam (the Italian Gas Distribution Network), which issued a "Climate Active Bond", justifying it by way of replacement of 30-year old compressor pumps with new ones that were 20% more efficient. While this is positive, we felt it was something they would do under normal circumstances, and the improvement was not therefore sufficient to allow it to be classified as "Climate Active". We communicated our views to the issuer, and decided not to proceed.

Our engagement approach is the same across all our fixed income strategies and geographies; we engage wherever ESG concerns are material

RECENT ENGAGEMENTS AND THEIR OUTCOME

COMPANY	E/S/G FACTOR	GOAL	ACTIVITIES	OUTCOMES
UK Banks (HSBC, Barclays, Lloyds and NatWest)	E: climate change	Improve disclosure of climate risks in loan book . A clear strategy for these limiting these exposures.	Discussions with IR Investor Relations teams. Support equity led engagement in overlapping banks, e.g. Barclays, HSBC.	All banks we have confirmed that they are working towards improving their environmental disclosures. Ongoing.
Banks	S: COVID-19 risks	To encourage transparency regarding high-risk loan exposures that could become non-performing as a result of the pandemic crisis. To support the ICCR Covid COVID Statement alongside equity team.	Discussions with Investor Relations IR teams.	Strong outcome with UK banks disclosing their COVID-19 related loans but also those loans that are under higher risk of being transferred to stage 3 status (non-performing).
ABN Amro	G: AML - failure to report suspicious transactions	To make AML compliance improvements.	Group call with management.	To date, we have not been satisfied with the outcome. Management has shared minimal details on investigations or improvements being made. We intend to maintain ongoing dialogue with the issuer.

PRINCIPLE 10

COLLABORATION

Collaboration with other like-minded investors is an increasingly common feature of our company engagement 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. Through collaboration, we are able to amplify our voice and potential to drive change.

Our ability to gain broader investor support for particular positions, however, 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. We are assisted in this effort by the fact that – as a relatively high-conviction asset manager (e.g. our core global equity buylist is c100 stocks) – we are able to 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 and 11, we will collaborate with other investors where we are seeking to escalate due to resistance from the board or executives. Often having a larger shareholding united on a matter of concern can be more impactful. Wherever we explore collaboration, we ensure the steps we take are consistent with local laws and regulations.

In 2020 we participated in 12 collaborative engagements, 8 of which we led as they were engagements we were already undertaking but wished to draw together a broader group to increase our voice. In the other 4 cases, we added our name to efforts that aligned well with areas of concern we shared. The following table provides an overview of these, their goals, and outcomes so far.

In certain cases these collaborations link into broader initiatives that we support, such as ICCR COVID-19 engagement, the Workforce Disclosure Initiative, the Ellen MacArthur global commitment on recycling, or Climate Action 100+. These were also outlined under Principle 4.

POLICY OUTREACH

Collaboration is particularly important in our policy outreach work, where having a collective investor voice behind specific requests for policy action is necessary to gain traction.

We outlined in detail policy initiatives we have led and supported in 2020, as well as outcomes from this work, under Principle 4. These include initiatives to improve the audit system, to reform international accounting standards, to call for companies to deliver Paris-aligned accounts, and to promote responsible treatment of vulnerable stakeholders during the coronavirus.

2020 COLLABORATIVE ENGAGEMENTS

COMPANY	CATEGORY	DESCRIPTION	OUTCOME
Air Liquide	E	Signed CA100+ letter to Board requesting further progress on net-zero and SBT targets. Letter (Nov 2020) seeking Paris-aligned accounting.	Milestone: Company pledged to release updated emissions reductions targets in 2021, disclose more information on corporate lobbying exposure and consider request on Paris aligned accounting assumption disclosure. Integrating into CA100+ engagement.
Barclays	E	Co-filed shareholder resolution calling for commitment to net-zero (Spring 2020).	Success: Barclays introduced a Net-Zero Ambition in Articles of Association (May 2020). Shareholder resolution gained over 20% support.
BlackRock	E	Pressing for net-zero commitment for 100% AUM; Asking for support for Paris-aligned accounting and& audit in stewardship.	Milestone: Statement published Oct 2020 stating expectation for Paris-aligned accounts. Expecting voting rules to tighten.

2020 COLLABORATIVE ENGAGEMENTS (CONTINUED)

COMPANY	CATEGORY	DESCRIPTION	OUTCOME
BP	E	Net-zero accounting and audit to underpin net-zero capital expenditure plan.	Success: Published Paris-aligned accounting assumptions & recognised $13-17.5bn impairment (June 2020).
Compass	S	Modern Slavery.	Milestone: Dialogue initiated. Company committed to disclose more information on any instances of modern slavery identified in its operations or supply chain.
CRH	E	Net-zero Zero commitment and& Paris-aligned accounting.	Push-back from Board; escalating though collective and auditor engagement. Integrating into CA100+ engagement (Dec 2020).
Enel	E	Net-zero commitment and phase-out of coal; Paris-aligned accounts.	Success: committed to phasing out coal and set a net-zero 2050 target. Integrating Paris-aligned accounting into CA100+ engagement (Dec 2020).
EssilorLuxottica	G	Boardroom infighting between Essilor and Luxottica directors; succession planning uncertain; inadequate transparency.	Milestone: Boardroom truce agreed, with commitment to ensure independent CEO.
NextEra	E	Net-zero commitment; Paris-aligned accounts.	No commitment to date; escalating through CA100+ (Sarasin co-lead) – Nov 2020.
Rio Tinto	E, S	Net-zero accounts and audit; concerns over Mongolian coal-fired copper mine; destruction of aboriginal site in Australia.	Milestone: Call with Audit Committee Chair with commitment that considering requests. Integrating into CA100+ engagement – Dec 2020.
Royal Dutch Shell	E	Net-zero commitment, Paris-aligned accounting and audit.	Success: Adjusted core accounting assumptions to be Paris-aligned; recognised impairments (Spring 2020).
Total	E	Net-zero commitment, Paris-aligned accounting and audit.	Success: Adjusted core accounting assumptions to be Paris-aligned; recognised impairments (Spring 2020).

PRINCIPLE 11

ESCALATION

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

There is a range of options open to shareholders to apply greater pressure on boards, 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, so may not always be an option, in markets like the UK it is encouraged as part of promoting better dialogue and more robust governance at companies.

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 communicate with 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 a 10% vote against) can be influential through its reputational impact, 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 reflecting this.

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.

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) can be influential since, by pressing an auditor to be tougher, this can force management to reveal information they might otherwise wish to conceal. Similarly, a vote against an annual report and accounts sends a strong signal that shareholders lack faith in what is being reported.

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.

Public statement.

Depending on the situation, a public statement by one or more shareholders challenging a company's actions or directors can help to draw broader market scrutiny and prove effective in generating a response.

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, and 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 investors have a responsibility to 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 routinely review our investment thesis to ensure our holding remains appropriate.

PRINCIPLE 12

EXERCISING RIGHTS AND RESPONSIBILITIES

In this section, we set out how we exercise – on behalf of our clients – vital shareholder and creditor rights and responsibilities. Generally speaking, most attention is on shareholder rights, typically associated with voting at Annual General Meetings (AGMs), but creditors also have rights and can exert a degree of influence over issuers to incentivise more sustainable behaviour. We highlight our approach to both below, including details of our voting behaviour in 2020.

OUR VOTING POLICY SUPPORTS OUR APPROACH TO STEWARDSHIP

To ensure sound corporate governance, we believe it is essential that equity 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. A powerful role we have as an asset manager, therefore, is to ensure we fulfil this voting function on behalf of our clients.

Our approach to governance and voting is set out in our Corporate Governance and Voting Guidelines, which take account of the UK Corporate Governance Code as well as other international guidance on governance. These Guidelines set out our perspectives on common governance issues from board structure, composition and operation; 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, and we may make adjustments where unintended outcomes become apparent. In 2020, we updated our Voting Policy and published a summary of these changes on our website[10]. The key changes included:

- **Promoting greater diversity**: 25% gender diversity threshold extended to cover European companies alongside existing requirement for UK and US companies
- **Remuneration that aligns executives with long-term value creation:**
  - **Raising shareholding requirement in the US**: we raised our requirement for US companies' shareholding requirements for senior executives from 400% basic salary to 600%. This is to reflect a lower basic salary - higher share award structure in the US, which makes a 400% threshold less meaningful.
  - **Encouraging simplicity**: set upper limit of no more than 4 performance metrics within company long-term incentive plans (LTIPs); and voted against excessively complex schemes on case-by-case basis.
  - **Quantum**: alongside our existing upper thresholds for the Chief Executive's total pay package of $15 million in the US, and £10 million in the UK, where we ensure further scrutiny, we introduced a new requirement for pension contributions to be aligned with the general workforce.
- **Promoting action on climate change**: we extended our current climate voting policy where we perceived material climate risks, focusing on:
  - **Director accountability**: Specifically holding the Chair, Audit Committee Chair and Remuneration Committee Chair to account for steps in their areas of responsibility to ensure alignment with the Paris Agreement goals.
  - **Auditor accountability**: we expect auditors to check the financial statements for the inclusion of material climate risks, and call our where there is a potential mis-representation.
  - **Annual Report & Accounts**: we voted against the Annual Report where it failed to include a discussion of material climate risks, and reflect these, where appropriate, in the accounts.

SRD II DISCLOSURE NOTE

In line with SRD II, COBS 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 Principle 12, we describe our voting behaviour for 2020, provide examples with explanations for significant votes, and outline our use of the proxy advisory firm Institutional Investor Services (ISS).

A complete list of our votes with rationales is published on our website quarterly, and can be viewed here:

HOW WE VOTE FOR YOU

[10]https://sarasinandpartners.com/wp-content/uploads/2020/06/Voting-policy-update-FINAL.pdf

- **Remuneration policy/report**: we did not support remuneration policies or reports where bonuses or LTIPs were awarded where activities have not been aligned with the Paris Agreement goals. We look for a safeguard, or Paris underpin, which prevents all such awards.

We employ a proxy advisory firm, Institutional Shareholder Services (ISS), to implement our voting policy, but we do not use their default voting policy. We monitor our votes, including all votes against the Board, any controversial votes, and votes linked to any ongoing engagement. We reviewed ISS's performance in 2020, and believe that the service remained strong. We identified fewer than five voting errors out of a total of 8,000 votes cast on resolutions.

In terms of actual votes, our voting principles tend to be more robust than the default used by proxy advisory firms, which means that we tend to vote more frequently against Boards particularly on resolutions relating to remuneration, accounting and audit. In 2020, we voted against management on at least one resolution in 95% of our clients' companies; and we implemented different votes to ISS's default policy in just under 30% of resolutions. The charts below summarise key features of our 2020 voting. More detail is provided below.

WE DO NOT RIGIDLY APPLY OUR VOTING POLICY

We recognise that it would be impossible to foresee all possible governance situations, so we retain the ability to diverge from these 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 below, in 2020 we overrode our own voting policy in 14% of resolutions.

VOTING IS PART OF OUR OWNERSHIP AND INVESTMENT ACTIVITY

We perceive voting to be part of our normal company monitoring and engagement activity (Principle 9). We seek to vote all shares held by our clients, unless the costs or administrative burden of doing so are excessive. We do not engage in stock lending, which could inhibit our ability to vote.

Voting decisions are embedded within the asset management team, rather than undertaken as a separate function. This is important to ensure we are as fully informed as possible in taking more complex decisions, but also because the insights gained from being involved in the voting process enhances our investment decision-making.

During proxy voting season, where our Corporate Governance and 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 (normally because it falls outside our Policy), an alert is sent to the relevant research analyst, portfolio manager and – in the case of a referred item – the stewardship leads. This group will review the vote, to determine what action is in our clients' best interests. As inputs into this process we will draw on company analysis, ISS research, MSCI ESG research, pertinent broker/independent research, as well as keep a close eye on views of government officials, non-governmental organisations and other influential stakeholders where pertinent. We will also seek inputs from the company, and reach out to co-shareholders to share concerns where relevant.

VOTING IS INTERTWINED WITH COMPANY ENGAGEMENT – THIS IS A CONTINUOUS RELATIONSHIP

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 either to the Chairman, Senior Independent Director or the relevant board member (e.g. the Remuneration Committee Chairman for remuneration matters, Audit Committee Chairman for accounting concerns).

We do not normally attend AGMs as we have sufficient channels to raise our concerns with company management and, in some cases, board directors. However, if we believe a certain issue warrants high profile attention by the board and by the public, we will attend general meetings to raise our questions and concerns.

From 2020, we have initiated a post-proxy communication effort with our clients' companies. Where we have voted against company resolutions, we are writing to the Chair to set out why. In this initial year, we wrote to 42 companies which were selected based on the significance of the voting issues identified and the materiality of our holdings.

REPORTING: WE DISCLOSE OUR VOTING ACTIVITY QUARTERLY

A summary of our voting record and profiles of significant company votes are sent to clients at least quarterly, but more often when requested (see also Principle 6)[10]. These disclosures are available on our website.

A full record of all our company votes for 2020 and the relevant rationale is available on our website here: https://sarasinandpartners.com/stewardship/how-we-vote-for-you/

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

Clients can override our house policy in non-discretionary holdings. In segregated or pooled accounts, we will exercise votes in alignment with our voting policy, the investment thesis and any ongoing company engagements.

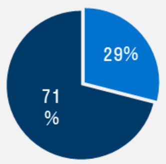
KEY FEATURES OF OUR 2020 VOTING

THOUGHTFUL VOTING POLICY

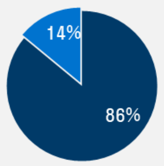
Annual review

Not a tick box exercise:

29% of resolutions* voted differently from ISS in 2020 proxy season



Overrode our own voting policy in 14% of resolutions (c200 resolutions)



VOTING INFORMS ANALYSIS AND ENGAGEMENT

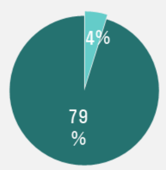
Email alerts to analysts/PMs and stewardship team on **AGAINST** votes for core holdings inform stock analysis

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

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

WILLINGNESS TO VOICE CONCERN

In 2020 proxy season, votes against management in 79 out of 83 company meetings*



Higher vote against versus peers

Voting records published quarterly on our website.

*This refers to the global buy list as at 21.09.2020 (113 companies) for the proxy season 2020 (1 January – 21 September 2020)

Source: Sarasin & Partners, Proxy Insight

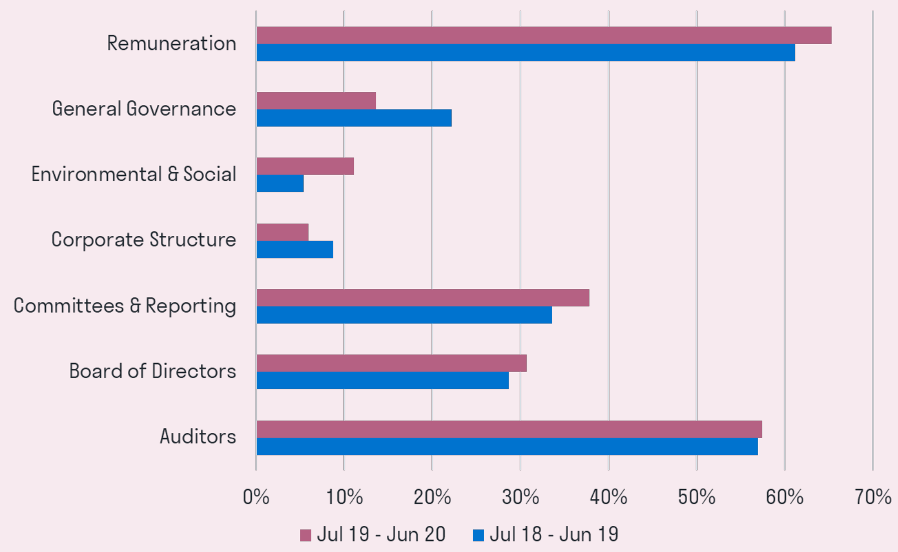
OUR VOTING ACTIVITIES 2018-2020

Between 1 January and 31 December 2020:

- We have voted 90.5% of our meetings and 90% of our resolutions. These figures are not 100%, primarily because of markets that have share-blocking and the lack of power of attorney in certain markets.
- We voted FOR 77.7%, AGAINST 20.1%, WITHHOLD 1.0% and ABSTAIN 1.2%
- We voted against management 22.8%

A summary of our votes against specific categories of resolutions in last two proxy season are provided in the chart.

PERCENTAGES OF VOTE AGAINST IN EACH CATEGORY OF MANAGEMENT RESOLUTIONS IN JUL 2018–JUN 2019 AND JUL 2019–JUN 2020



[10]https://sarasinandpartners.com/stewardship/how-we-vote-for-you/

EXAMPLES OF VOTE REPORTING IN 2020

Company	Date	Resolution	How we voted for you	Result
JPMorgan Chase & Co.	19 May 2020	Elect the combined Chair and CEO	Against	Passed

We voted against the Executive Chair, Jamie Dimon, due to the following concerns: 1) Dimon is the combined Chair and CEO and yet the Board do not appear to have a strong lead independent director (LID). The current LID has been in this position for nearly 20 years, meaning that he is not in a position to provide independent challenge, in our view). Moreover, there remains significant uncertainty over succession planning for Dimon and recent health issues make this more urgent; 2) We have been engaging with the bank on climate change (letters in 2018 and 2019) and JPMorgan has failed to take sufficient action to ensure its financing activities are aligned with the Paris Agreement. As the biggest lender to the fossil-fuel sector, including some of the most carbon-intensive activities, we see a Paris commitment as a precondition for our support.

Percentage of votes cast for the resolution: 95.2% for, 4.8% against.

Amazon.com, Inc.	27 May 2020	Report on Global Median Gender/Racial Pay Gap (Shareholder resolution)	For	Failed

Diversity is a very important subject in the technology sector as various algorithms and products could inherently create bias against race or gender because either the developers are biased or the data is biased. Given technology is touching our everyday lives, big technology companies such as Amazon have the duty and responsibility to promote diversity. One way to do it is to ensure any pay gaps due to race or gender are eliminated. While Amazon has been disclosing pay equity data since 2016, we encourage the company to disclose median gender/racial pay gap figures as these numbers paint a better picture on how employees of different gender and race have progressed within the organisation. While a global number is unable to provide complete picture, we believe the company can explain this number rather than avoid reporting on this number at all.

Percentage of votes cast for the resolution: 15.3% for, 84.7% against.

Splunk Inc.	11 Jun 2020	Elect nomination committee chair	For	Passed

We have recently added Splunk to our portfolio and 2020 was the first year we voted at its annual general meeting (AGM). The company has a staggered board structure, which means in each year shareholders are only entitled to elect one-third of the Board. This kind of structure could be used as a takeover defence and reduce directors' accountability towards minority shareholders. As per our voting policy, we would normally vote against the nomination committee chair. However, since this is our first AGM, we decided to support the chair and at the same time we sent a letter to the Chair asking the Board to review a number of governance weaknesses, including the staggered board structure. We will continue to engage with the company before the next AGM.

Percentage of votes cast for the resolution: 98.8% for, 1.2% against.

EssilorLuxottica SA	25 Jun 2020	Approve compensation of the Chair and the Vice-Chair	Against	Passed

We have been engaging with the company since the completion of the merger in October 2018 and the emergence of a governance deadlock at Board level. While the Chair and the Vice Chair had agreed a settlement at the AGM in 2019, the company has not made any noticeable improvement in governance since then. The company still lacks a permanent CEO, and there is no lead independent director to act as a communication channel for minority shareholders.

We have written to the Board four times and have received one reply, which does not provide us with sufficient comfort that the Board is addressing our concerns. Before the AGM in 2020, we wrote to two French regulatory bodies – the Autorité des Marchés Financiers and the Haut Comité de Gouvernement d'Entreprise – raising our concern that the company's current governance arrangements have impeded directors in carrying out their duties in the best interest of shareholders. We have not had a formal response yet.

At the AGM we voted against the remuneration of both the Chair and the Vice-Chair, as a protest that the company has not been willing to engage with shareholders, as well as to reflect our ongoing concerns related to the company's remuneration policy.

Percentage of votes cast for approving compensation of the Chair: 85.8% for, 14.2% against.

Percentage of votes cast for approving compensation of the Vice-Chair: 81% for, 19% against.

FIXED INCOME

Unlike shareholders, creditors do not have a vote at company AGMs. Instead, we exercise bondholder rights and responsibilities in the following ways.

PRE-ISSUANCE ENGAGEMENT

First, we 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 often involve discussions surrounding aspects of not only the prospectus, but also considerations such as the terms of other indentures or Security Trust and Intercreditor Deeds (STIDs), which sets out terms relating to, for instance, coupon payments, redemption, any covenants (like certain debt leverage), reporting schedules, issuer rights and bond holder rights and voting rights for amendments amongst other things. We will specifically seek to discuss the creditworthiness of the issuer, management strategy or information disclosure commitments. ESG also 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

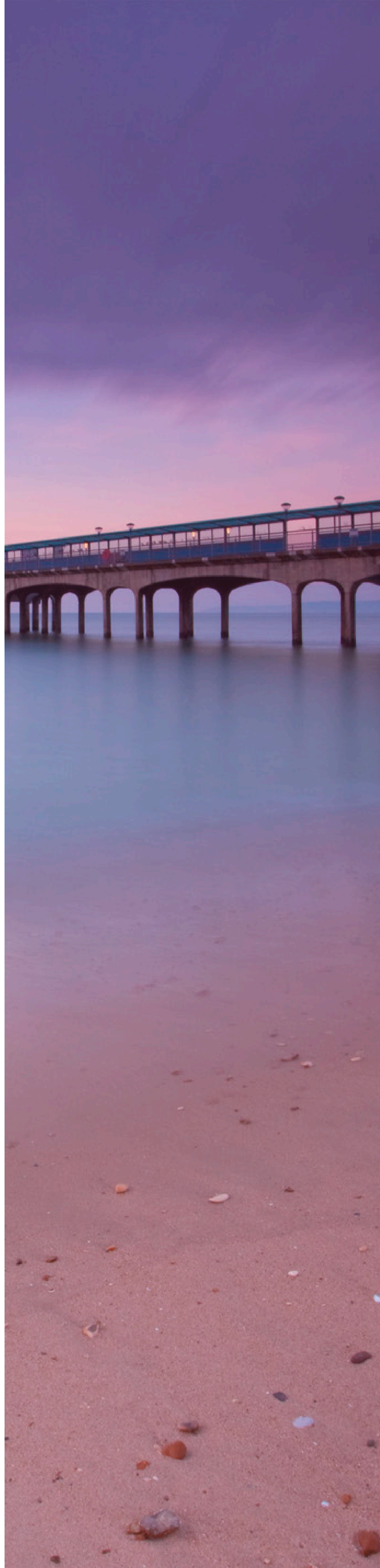
Second, we often have a vote on major corporate actions. These offer an important point of influence for creditors, especially since the threshold for approval is usually around 75%, giving creditors considerable say. Consequently we conduct detailed due diligence on any proposed amendments to existing 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. For instance, we voted against a change to amendments to a Porterbrook Rail STID in March 2019 that would weaken indenture protections. We also voted against a highly contentious High Speed Rail corporate action in 2018 which was poorly managed by the company and detrimental to bondholders. In the High Speed Rail instance we directly engaged with management to not only explain our dissent, but also engaged with them to ensure their communication with bondholders improved going forward. In another instance the issuer John Lewis proposed an amendment to a financial covenant that weakened bondholder protection. In this case the issuer ended up doubling the consent fee for the change which made the amendment acceptable (though we sold the bonds shortly thereafter).

The decision to exercise our rights and responsibilities is taken by the fixed income team as a whole. In 2020, in total we faced 24 corporate actions demanding votes, and we consented on 15. Where we did not consent, this was to reject corporate action we deemed to be unfavourable or the corporate action was immaterial, in which case we do not vote to retain liquidity in the bonds given securities are generally not tradable when involved in corporate actions.

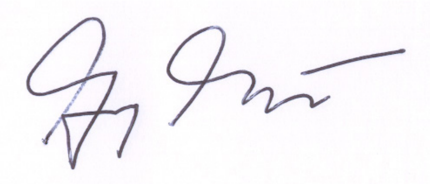
ONGOING MONITORING AND ENGAGEMENT

Third, our ongoing analysis of the issues and issuers we hold. As credit investors we are constantly analysing and reviewing our rights for any indenture we hold in light of the creditworthiness of an issuer. As we seek to avoid default and an event where we would be in a position to have a claim against the assets of an issuer (breach of covenants for example) we are always seeking 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.



APPROVAL

This statement had been approved by



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

Date: Effective March 2021

IMPORTANT INFORMATION

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

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Please note that the prices of shares and the income from them can fall as well as rise and you may not get back the amount originally invested. This can be as a result of market movements and also of variations in the exchange rates between currencies. **Past performance is not a guide to future returns and may not be repeated.**

There is no minimum investment period, though we would recommend that you view your investment as a medium to long term one (i.e. 5 to 10 years).

Frequent political and social unrest in Emerging Markets, and the high inflation and interest rates this tends to encourage, may lead to sharp swings in foreign currency markets and stock markets. There is also an inherent risk in the smaller size of many Emerging Markets, especially since this means restricted liquidity. Further risks to bear in mind are restrictions on foreigners making currency transactions or investments.

For efficient portfolio management the Fund 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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