SARASIN & PARTNERS

POLICY OUTREACH, COMPANY ENGAGEMENT AND VOTING REPORT

Q1 2021

INTRODUCTION

Investors in companies have an important shared responsibility in holding the board to account for the management of the business.

On behalf of our clients we are active in voting on matters put to shareholders, and we closely monitor investee companies and engage on issues of concern relating to corporate governance, capital structure and strategy. We do this because we believe that poor governance can adversely affect the returns for investors and, equally, good stewardship can lead to better returns over the long term.

As long-term investors, we also take an interest in the broader market environment in which companies operate. Where we perceive problems, and believe we can catalyse positive change, we will reach out to policy-makers and other key market participants to promote reform. Our objective is to shape the regulatory and market environment to support more sustainable economic growth.

Given the emphasis we place on responsible and active ownership, we aim to communicate openly with our clients and other interested parties about our activities. This report offers a window into our recent company engagement, policy outreach and voting activities.

STEWARDSHIP:
POLICY AND COMPANY ENGAGEMENT

Our engagement work with companies and in the broader market aims to address governance failures, strategic challenges or other market imperfections with a view to protecting and enhancing shareholder value. We are pleased to share with you some of our successes from the last quarter. In an effort to make this report more interaction and to allow those who are interested to delve into more of the detail, you will find links to further analysis and presentations below.

COMPANY ENGAGEMENT: CRH REPAYS TAXPAYER SUPPORT

Our COVID-19 engagement with the building materials company CRH came to a successful conclusion this quarter.

We contacted CRH last November, following media revelations that they had continued to pay dividends in 2020, despite not repaying taxpayer support that they received for the furloughing of staff.

Following these media reports, we had a helpful call with Investor Relations to get a clearer picture. These conversations helped contextualise the Board's decision to pay dividends. While CRH was no doubt following the letter of the law in paying dividends, we nonetheless believed it had misjudged the spirit of government support and risked damaging its reputation. We therefore wrote to the Board to encourage repayment of government support as soon as practicable.

In early February we were notified by Investor Relations that the government support had now been repaid. We formally closed the engagement upon receiving further confirmation in the company's Annual Report that this had happened. We are pleased with the positive outcome and continue to press companies for responsible action during the pandemic and beyond.

COMPANY ENGAGEMENT: HSBC COMMITS TO NET ZERO

HSBC is the third largest financier of fossil-fuel activities amongst European banks, according to the Rainforest Action Network's latest analysis. It provided over $110 billion in financing since the Paris Agreement was signed in 2015, much of this in Asia. Against this backdrop, its decision in March to commit to aligning all its financing with getting to net-zero emissions by 2050 – including by withdrawing financing from those activities that are not aligned with this goal – is a significant milestone. It sets a new standard for global banks, including those with operations in emerging markets.

Importantly, the Board's commitment is set out in the form of a Special Resolution to be put to a vote at its Annual General Meeting in May. Once passed, it will form part of the bank's Articles of Association, which makes it binding on directors. The key elements – summarised below – were agreed following intensive engagement with a group of investors, including Sarasin & Partners, who had in January co-filed a shareholder resolution calling on the bank to act. Led by Chair Mark Tucker and CEO Noel Quinn, the Board agreed to all the core asks of the shareholder group, paving the way for the Shareholder Resolution to be withdrawn as it was no longer required.

HSBC's commitment is a powerful proof point for determined investor engagement. It also points to key ingredients for success. Led by ShareAction, the coalition of investors had developed a persuasive case for HSBC to act, which was supported by rising regulatory efforts to ensure banks were controlling their climate risks. The Chinese government's announcement that it was targeting net-zero emissions by 2060 provided further impetus for HSBC to act. Finally, it has become increasingly clear that investors – including the largest asset managers like Blackrock and Vanguard – are increasingly inclined to support climate resolutions, resulting in a high likelihood that HSBC could have seen an embarrassing AGM defeat if they failed to find a way forward.

TACKLING MODERN SLAVERY IN THE SUPPLY CHAIN - COMPASS

This quarter, as part of the Find It, Fix It, Prevent It (FFP) collaborative investor initiative, we continued our engagement with Compass on the issue of modern slavery.

This collaborative work sits alongside our own enhanced ESG work, which specifically scrutinises companies' actions with respect to suppliers and employees. This helps us pinpoint companies which have material exposure to forced labour and helps drives targeted conversations with them. Initially, the FFP initiative is focused on the hospitality sector but will be extended to other industries as modern slavery is likely to exist in the supply chain of nearly every business.

The aim of the collaborative investor initiative is to help and encourage companies to:

- Take steps to find people within their supply chain and direct operations that display one or more of the 11 ILO Indicators of Forced Labour.[1]
- To support the provision of remedy to those people once found.
- To report these activities, as a proof point that processes to root out forced labour are effective.

We had initial talks with Compass last October about the company's actions in this area. We were largely reassured that it has made steps in the right direction over the years, particularly around its internal controls to prevent, detect and respond to the risk of modern slavery in its operations. However, we felt that there was room for improvement and greater transparency, particularly in higher risk areas such as some parts of the Middle East.

Since then, we noted that Compass' new 2020 modern slavery statement mentioned a "generalised concern regarding the recruitment model and practices in one of our regions". The statement further stated that an investigation was carried out and "the claim was unsubstantiated and lacking in sufficient evidence". Compass stated that it has undertaken a third-party audit and has reviewed its recruitment processes to provide room for improvement.

We engaged with the company in March to specifically better understand this concern and discuss the challenges of migrant worker recruitment in the Middle East. Compass' exposure in this region is through a joint venture in the UAE, ADNH Compass, which is a partnership with Abu Dhabi National Hotels (ADNH).

In the Middle East, poor treatment of migrant workers is a key concern, with issues around whether migrant workers from some of the poorest countries such as Nepal and elsewhere are being forced to pay recruitment fees, and whether workers retain access to their passports and identity documents. Other concerns often relate to workers' living and working conditions and whether they are being fairly remunerated for their work.

We discussed these topics with Compass, who provided details on steps it was taking to address these specific concerns. Compass was quite confident that it has the correct controls in place, but was also willing to discuss best practice with others grappling with these issues.

As a group we offered to put Compass in touch with organisations that could assist with remote monitoring, which is crucial during the pandemic. We will also be putting forward some suggested items to include as part of the company's discussion on migrant workers at the upcoming ADNH Compass Board meeting. Finally, we are pleased that Compass is keen to meet again in a few months to discuss further after the ADNH Compass Board meeting.

We recognise that dealing with modern slavery is challenging. As investors, we will publicly support companies as they go through this journey in order to assist the most vulnerable.

[1]https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---declaration/documents/publication/wcms_203832.pdf

KEY VOTES AND ENGAGEMENTS
Q1 2021

Investors in companies have an important shared responsibility in holding the board to account for the management of the business. We take our voting responsibilities on behalf of our clients seriously. We believe voting provides shareholders with an important lever for ensuring proper corporate accountability and responsible stewardship, which is a critical input into delivering better returns over the long term.

The table below shows how we voted on company resolutions during the period under review. It also explains why we voted the way we did, and whether the resolution was approved by shareholders or not.

Company	Date	Resolution	How we voted for you	Result
Aramark	2 February 2021	Advisory Vote to Ratify Named Executive Officers' Compensation	Against	Passed

We voted against the executive remuneration because the incentive payout does not appear to be justified in light of COVID. While we have no concern over the temporary reduction in salaries and the minimum bonus of 40% to each of the 5,300 employees who were eligible for an annual incentive, we believe it was problematic to exercise discretions to provide a 29.2% payout factor for the fiscal 2018-2020 performance shares, and to bring forward fiscal 2021 long-term incentives with no performance conditions attached.

We have been engaging with the company on various issues (e.g. remuneration, audit and board composition) in the past two years and had some success. We will continue to communicate with the Chair of the Board on its remuneration structure.

Percentage of votes cast for the resolution: 57.5% for, 42.5% against.

Company	Date	Resolution	How we voted for you	Result
Deere & Co	24 February 2021	Ratify Auditor	Against	Passed

We voted against the auditor because we have been unable to gain comfort that climate change risks have been appropriately considered with regards to audit procedures and, accordingly, that these risks have been appropriately reflected in the financial statements. The agriculture sector will be heavily impacted by climate change, so it is concerning that the company has no disclosure on its approach to managing climate risks, and there is no evidence of the financial statements incorporating material climate-related factors.

We also voted against the Chair of the Board and the chair of audit committee because we believe these directors are responsible for ensuring climate risks are appropriately reflected in the financial statements and in the company's strategy.

Percentage of votes cast for the resolution: 95.5% for, 4.5% against.

Company	Date	Resolution	How we voted for you	Result
The Walt Disney Company	9 March 2021	Re-elect director	Against	Passed

We have voted against the chair of the remuneration committee in the past three years as we have voted against the company's proposed remuneration for four years, and our concerns have not been adequately addressed. We have highlighted our concerns to the Board in 2020 in light of the Coronavirus pandemic, but we have not received a satisfactory response.

While there has been a reduction in quantum compared to the previous CEO's package, we remain concerned by the overall CEO package that appears to provide a target payout of $25m, a quantum which we believe is too high. The shareholding requirement is only 500% of salary for the CEO, which is too low in our view. Moreover, there is no requirement where an executive should uphold part of the shareholding requirement after he/she departs, a practice where we believe will strengthen the alignment of the interest of the departing executive with that of long-term shareholders. Finally, we had urged the Board to use appropriate and challenging targets.

Percentage of votes cast for the resolution: 92.3% for, 7.7% against

VOTING SUMMARY

		2016	2017	2018	2019	2020	Q1 2021
Total number of company meetings		968	1,165	1,072	1, 228	771	90
Total number of proposals		10,387	13,244	13,433	13,373	9,168	1,073
Votes cast	for	7,728	8,570	11,152	8,732	6,378	893
	against	1,681	2,354	2,611	2,678	1,646	142
	abstain	61	101	181	129	95	5
	withhold	84	83	79	100	77	4
	did not vote[1]	833	2,136	1,420	1,641	972	29

[1]We do not currently vote in jurisdictions in which share blocking and power of attorney requirements apply.

Further details are available upon request.

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IMPORTANT INFORMATION

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