

POLICY OUTREACH, COMPANY ENGAGEMENT AND VOTING REPORT

Q1 2022



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 and other market imperfections, with a view to protecting and enhancing shareholder value. We are pleased to share with you some of our engagements from the last quarter. If you wish to delve into more detail, you will find links to further analysis and presentations below.

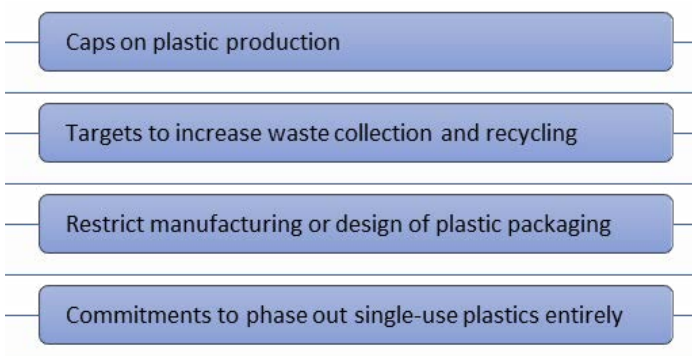
STATEMENT ON THE RUSSIAN WAR AGAINST UKRAINE

The tragedy unfolding in Ukraine touches all of us in profound ways. While confronting Russian state-sponsored aggression is first and foremost the job of governments, companies are also rightly responding: halting commercial relations, pulling out staff when possible, and stepping back from, in some cases, billion-dollar investments in Russia. We support such moves. To ignore the human rights violations in Ukraine would run contrary to our belief that one of the fundamental purposes of responsible investment is to allocate and steward capital in a way that benefits society and minimises harm. We have published a [statement on our website](#) setting out how we are responding to the conflict in our investment and stewardship processes.

MARKET IMPACT: GLOBAL PLASTIC POLLUTION TREATY

In March, the UN Environment Assembly (UNEA) approved a [resolution](#) to create the world's first-ever global plastic pollution treaty, describing it as the most significant green deal since the 2015 Paris Climate Agreement.

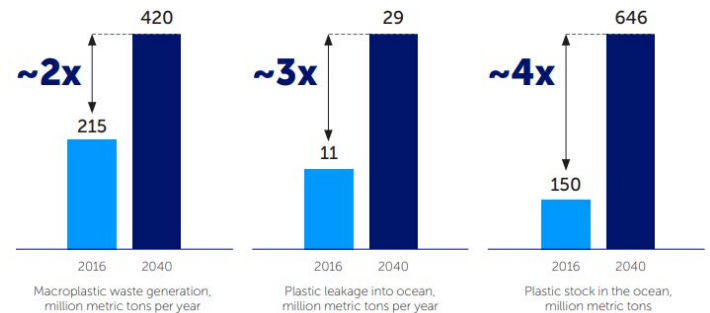
Work will now begin to set out rules on plastic waste. The terms of the treaty will be negotiated by 175 nations and should be finalised by the end of 2024. It is expected to present a legally binding instrument that would address the lifecycle of plastics, the design of reusable and recyclable products and materials, and the need for enhanced international collaboration to facilitate access to technology, capacity building and scientific and technical cooperation. Approaches that might be employed as a result of the treaty are shown in the diagram below:



Source: Sarasin & Partners, March 2022

We are delighted to see this historic step by policymakers, which envisages a role for “all stakeholders, including the private sector” in achieving objectives, and we fully support the aim of “long-term elimination of plastic pollution, in marine and other environments”. This is sorely needed as, despite some recent reduction in the use of virgin plastic (by ~2% between 2018 and 2020 according to Ellen MacArthur Foundation), plastic pollution is still too high. If left unchecked it will continue to grow, with potentially devastating consequences for current and future generations.

The next 20 years will see plastic waste generation double, plastic leakage to the ocean nearly triple, and plastic stock in the ocean more than quadruple²¹



Source: Breaking the Plastic Wave - A comprehensive assessment of pathways towards stopping ocean plastic pollution - the Pew Charitable Trusts. July 2020.

Investors have a critical role to play in pressing companies and policymakers to take proactive steps to prevent societal harm. As signatories to As You Sow’s ‘Plastic Solutions Investor Alliance (PSIA)’ we signed an [investor letter](#) calling for a strong, binding treaty, which was presented at the UNEA conference.

The main asks included:

- A coordinated international response that covers the entire life cycle of plastics, not just improvements to waste management systems.
- Reducing plastic use at least in line with the one-third cut in demand recommended by the Pew Charitable Trusts’ Breaking the Plastic Wave report.
- A circular economy approach, eliminating problematic and unnecessary plastics and focusing upstream to design out waste.
- Decoupling plastic production from consumption of fossil fuels. Agreement on harmonised definitions and standards.

- A coordinated international approach on national targets, action plans and minimum requirements.
- Common reporting and monitoring standards at corporate and national levels.
- International capacity-building mechanisms to support technology transfer, citizen education and funding to scale innovative initiatives.

We will closely monitor the Treaty's progress over the next two years, and particularly the stringency of rules to prevent plastic pollution and its related risks to human well-being and the environment. Where appropriate, we will lend our voice to support more robust action. In the meantime, we will also continue our engagement with the most exposed companies on with the steps we expect them to take to ensure their processes adopt a circular economy mindset.

COMPANY ENGAGEMENT: UNILEVER

This quarter, as part of the Plastic Solutions Investor Alliance, we engaged with Unilever to push for better transparency on plastics and understand Unilever's progress in this area.

In 2019, Unilever announced ambitious targets on plastics use, alongside being a signatory to the Ellen MacArthur Foundation (EMF) Global Commitment. Since then, their disclosures have been opaque and it has been difficult to assess progress towards achieving their targets. This is of concern, particularly in light of their significant plastic packaging footprint ([currently c.599,000 tonnes](#)).

Pleasingly, on the call Unilever committed to increase transparency by providing the following data:

- Refill by weight in their Ellen MacArthur report.
- Consumer units of plastic packaging and an updated plastics footprint.
- A breakdown of types of plastic used.

Their progress on targets appears to be mixed, but they have assured us that they will fully meet the 2025 target of 25% recycled content. However, it is less clear whether they will be able to meet other 2025 targets such as the use of 100% reusable, recyclable or compostable plastic packaging. They have stated that they are currently at c.53%.

Other issues we would like clarity on include their lack of progress on plastic reduction in developing countries, and energy recovery collaborations with cement companies, which

may potentially have detrimental impacts on air pollution if strong controls are not in place. We will continue to push the company for faster action and clearer disclosures on their progress.

NET ZERO ASSET MANAGEMENT INITIATIVE – OUR ACTION PLAN

Against the backdrop of the latest IPCC report, we continue to work hard on aligning all our assets under management with a 1.5C pathway. In February we published our detailed Action Plan. This can be [read here](#).

ENGAGEMENT UPDATE – DEERE & CO.

In December, we wrote to Deere, outlining our voting at their last AGM, pointing out our particular concern that they strengthen their climate commitments. We have since held several calls with their investor relations and sustainability teams, culminating in a call with the Lead Independent Director.

While not a large direct carbon emitter, Deere is a major supplier of farm and construction equipment, and thus plays a critical role in the agricultural supply chain. With agriculture the 5th largest source of carbon emissions in the US, accounting for 10% of the country's total greenhouse gas emissions in 2019, Deere faces potential headwinds as decarbonisation progresses. They also have a huge opportunity to support farmers to deliver vital emission reductions.

Deere has increasingly recognised this opportunity but in 2022 they have clearly pivoted their business model to align with a net zero pathway with the announcement of their new LEAP strategy.

At the heart of their new plan is their role in driving greater sustainability, and lower greenhouse gas emissions, in the agricultural supply chain. Their focus on precision agriculture, substantially lowers inputs and thus the associated carbon and other forms of pollution. It also is hugely important as farmers have to adapt to new weather patterns associated with climate change.

These services lower farmers costs, improve productivity, and are creating new business opportunities from more sustainable produce, thereby consolidating Deere's market leadership. In essence, their investment in digitisation and automation puts them ahead of peers to drive sustainable economic benefits for all.

We strongly support Deere's efforts, and welcome this new strategy. It is particularly good to see them submit science-based carbon targets for 2030, including scope 3 emissions associated with their upstream and downstream emissions. Above all, we welcome their willingness to look beyond their own 'carbon balance sheet' to how they can deliver the greatest societal benefit through their support to farmers.

Following our call with the Lead Independent Director, we are urging the Board to build on its recent efforts to make a 2050 net zero commitment, and integrate its carbon pathway promises into its statutory annual filings, including their financial statements, to demonstrate the centrality of its commitment to its future strategy.



2021

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURE

Source: tcf-2021.pdf (deere.com)

KEY VOTES AND ENGAGEMENTS

Q4 2021

Shareholders have an important responsibility to hold directors to account for responsible oversight of businesses. Good governance underpins the delivery of enduring returns. The voting responsibilities we have on behalf of our clients are, therefore, of utmost importance to Sarasin & Partners. Our approach to voting can be found in our [Corporate governance and voting guidelines](#). This is a core part of our Stewardship approach.

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.

Company	Date	Resolution	How we voted for you	Result
Deere & Company	23 Feb 2022	Ratify Deloitte & Touche LLP as Auditors	Against	Passed

We voted against a resolution to reappoint the auditor Deloitte & Touche, as this auditor has been with Deere for more than a hundred years (since 1910). We do not consider the auditor independent if it has been with the company for more than 15 years.

In addition, we have been unable to gain comfort that climate risks have been considered in the audit procedures, or that climate risks have been appropriately reflected in the financial statements, despite Deere's exposure to both transition and physical climate risks. We voted against the auditor on these grounds in previous years as well. We articulated this concern in our 2021 post-proxy letter to the company's Lead Independent Director, and are taking forward our engagement on this matter.

Percentage of votes cast for the resolution: 94.7% for, 5.3% against.

The Walt Disney Company	9 March 2022	Advisory Vote to Ratify Named Executive Officers' Compensation	Against	Passed
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We voted against this proposal because the CEO remuneration scheme did not include a material shareholding requirement. In the US, we expect CEO's to hold at least 600% of their base salary in shares to ensure alignment with long-term shareholders. Further, in the annual incentive program, two financial targets were set well below actual performance in the prior year, and there was no full disclosure about some of the long-term targets.

We have previously engaged Walt Disney on these topics, but made little progress. We voted against the Say on Pay proposal in previous years as well. As shareholder support for it was relatively low (68.5% in 2021 and 53.8% in 2020), the company has made certain improvements to address shareholders' concerns, including an increased emphasis on performance-conditioned equity awards. However, we would like to see further progress before we can support it.

Percentage of votes cast for the resolution: 85.1% for, 14.9% against.

Bridgestone Corp.	23 March 2022	Elect Director Masuda, Kenichi	Against	Passed
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We voted against this director in his capacity as Nomination Committee Chair due to concerns over insufficient gender diversity. We expect female representation of at least 30% at board level. There are currently 16.7% of women on the board. We believe that boardroom diversity can contribute to improved corporate performance by helping to address 'group think' and encouraging internal challenge.

We sent a letter to the Nomination Committee Chair in August 2021 highlighting these concerns. We subsequently had a call with management discussing this topic and sent another letter in November. In our Post-proxy letter to the Chair in December, we again highlighted the need to take meaningful steps to improve board diversity.

Percentage of votes cast for the resolution: 97.2% for, 2.8% against

VOTING SUMMARY

		2016	2017	2018	2019	2020	2021	Q1 2022
Total number of company meetings		968	1,165	1,072	1,228	771	615	83
Total number of proposals		10,387	13,244	13,433	13,373	9,168	7,855	1,000
Votes cast	For	7,728	8,570	11,152	8,732	6,378	5,886	806
	Against	1,681	2,354	2,611	2,678	1,646	1,330	137
	Abstain	61	101	181	129	95	62	6
	Withhold	84	83	79	100	77	83	2
	Did not vote ¹	833	2,136	1,420	1,641	972	489	49

¹We 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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