SARASIN & PARTNERS

POLICY OUTREACH, COMPANY ENGAGEMENT AND VOTING REPORT

Q2 2022

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

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.

Joining Collective Impact Coalition (CIC) on Ethical Artificial intelligence (AI) and signing investor statement on Ethical AI

Based on the decision made by the Stewardship Steering Committee, we have joined an investor engagement initiative, the long-term focus of which will be on Digital Inclusion, and short-term (1-2 years) on Ethical AI.

AI shapes how tech companies organise data storage, promotion, distribution and protection. This may lead to various intended and unintended social and economic consequences, including priority promotion of business content from preferred owners, biases, or spread of violent content.

Investors can drive improvement in a number of ways, such as encouraging adoption of sound principle-based AI policies and more transparent design of data processing algorithms. As a starting point, the CIC will publish an investor statement on Ethical AI calling for transparent and ethical policies and procedures governing AI at the tech companies.

The benefits for Sarasin from joining the Ethical AI CIC include the following:

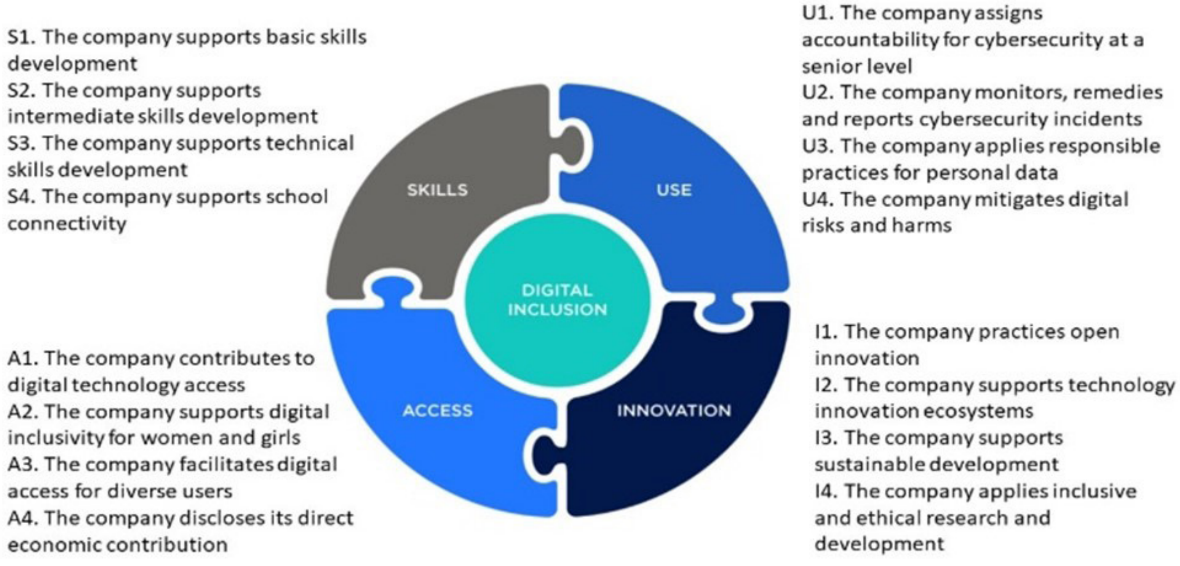
CIC can be a force multiplier and voice amplifier – i.e., we will be able to leverage actions by the CIC to drive positive change.

As a member, we will be able to improve our knowledge via taking part in campaigns and workshops with companies that would be difficult to get access to otherwise.

Thought-leadership: as we gain expertise, we will be in a position to define key elements of a more responsible approach to technology, and set out priority actions for investors.

The CIC is being set up by the World Benchmarking Alliance (WBA); this will provide analytical support. Engagements will use the results of its Digital Inclusion Benchmark (DIB), which includes 150 companies globally that play crucial role in IT Services and Software, Telecommunications Services and Hardware.

Beyond the AI focus, the DIB criteria cover a range of other key topics. We are keen to monitor our holdings – under our Responsible Tech workstream – for these criteria; for instance, data privacy, cybersecurity, child protection, and contribution to social and economic value – see below:



Source: World Benchmarking Alliance

Sarasin's submission to SEC on proposed rules for better climate-related financial disclosures

On March 21st, the US Securities and Exchange Commission (SEC) proposed detailed rules for climate-related disclosures by companies in US markets [https://www.sec.gov/news/press-release/2022-46]. We applaud the SEC's leadership on this matter. We particularly welcome the attention given to financial statement disclosures, which has been a topic that we have long sought greater visibility on for investors.

The failure of financial statements to properly reflect the real economic consequences of climate change and a move to a 1.5ºC pathway has increased uncertainty in the market, which threatens market efficiency and ultimately macro-economic stability. It is time to stop treating potentially irreversible and catastrophic consequences of climate change as non-financial. It is our hope that where the SEC leads, other regulators should follow.

Please see our submission to the SEC consultation here: [https://sarasinandpartners.com/stewardship-post/proposed-rules-for-better-climate-related-financial-disclosures/].

Company Engagements: Companies exposed to Russia on their response to the war against Ukraine

In early April, we published a statement where we emphasised our concerns with the unfolding Russian war against Ukraine, our support of companies' moves to terminate or suspend their operations in Russia, our assessment of portfolio risks via companies' revenue and EBITDA exposure, and our plans to engage with companies, where relevant, on their decisions and the relevant human rights issues.

We focused our engagements on those companies who had material societal footprint in Russia, i.e. significant market share, large assets or workforce. In our engagements with those companies that had announced that they were leaving Russia, we discussed their course and their treatment of workers and suppliers and in whose hands the assets would end up. With those companies that decided to continue their operations in Russia, our discussion was focusing on the rationale and potential reputational damage due to negative reaction from consumers and investors. Such damage seems to have already been observed: It Pays For Companies To Leave Russia by Jeffrey Sonnenfeld, Steven Tian, Steven Zaslavsky, Yash Bhansali, Ryan Vakil :: SSRN)

We ultimately grouped companies into three categories by the decisiveness of their response to the war.

Group I includes those that were quick to pull back from business activities in Russia. It includes tech sector Amazon Web Services, Apple, Microsoft, Meta, and Alphabet, financial services Mastercard and PayPal and entertainment company Disney. Most of them have helped moving Russian employees who have chosen to stay with the company out of Russia. Further, we found discussion with Equinor and Schneider Electric reassuring. Equinor terminated investments into Russia and started the process of exiting its Russian joint ventures straight after the invasion, having completed it in late May. Schneider Electric has stopped imports to Russia and announced its intention to sell Russian assets to local management; it closed this transaction in late June.

Group II included companies whose actions were decisive, but hampered by their entrenchment in Russia. Bank HSBC has been rolling down its exposure, but could only do this with the speed of its clients' withdrawals, while still supporting its staff of 200 people in the country. Deere & Co. and OTIS have stopped their sales to Russia but cannot terminate servicing agreements. ENEL has an ownership stake in one of Russia's regional generating companies; its decision to sell it dates back even before the hostilities started, but has still not materialised.

Group III includes companies that were either slow or not sufficiently decisive. Marriott has closed its corporate office in Moscow and paused all future hotel development in Russia. However, it was only in early June that it announced a decision to suspend all Russian operations, based on solely economic reasons. EssilorLuxxotica made a statement that it was restricting Russian operations to medical vision care services only, but we but could not get more clarity regarding the specifics. Consumer sector companies, such as Colgate, Unilever, Givaudan, and IFF did not withdraw from Russia on the grounds that their products were 'essentials' – which does not seem convincing in a country that has vast domestic production of food and hygiene products.

In summary, this engagement is unlikely to be hugely impactful, but can be seen as a test of corporate policies relating to human rights, democracy and the rule of law. Companies that are not only making declarations of support or donations to the people of Ukraine, but also taking decisive action to discontinue operations that provide support for the Russian state will be, in our opinion, less vulnerable to reputational risk and more resilient as the conflict drags on.

Company engagement: Alstom

In 2021, we commenced engagement on a range of issues including internal controls (particularly around their Bombardier acquisition), net zero commitment, executive remuneration and board composition. The calls have been broadly constructive with the company agreeing to consider the issues raised.

In our latest call with the Lead Independent Director, we gained reassurance on certain issues, including the stability of the board, the progress of the Bombardier integration and the attention to internal controls.

We were also notified of their progress with respect to our remuneration concerns. Improvements include the introduction of a clawback mechanism; and significantly increased shareholding guidelines, albeit still below our guidelines of 400% of base salary. One other remaining area of weakness is the lack of a post departure shareholding requirement.

We are pleased to see the progress the company is making but continue to press for full implementation of our requirements which seek to ensure the alignment of executive pay with long-term shareholder interests.

Company engagement: NextEra

Following a year of increasingly intensive engagement with NextEra Energy, one of our largest carbon footprint companies, we were pleased to see their announcement in June that they are committing to achieving 'Real Zero' carbon emissions by 2045 at the latest. This covers the vast bulk of their emissions resulting from their direct energy generation and distribution (Scope 1 and 2).

Having lagged peers in recent months in terms of the Board's willingness to expressly commit to full decarbonisation, this public declaration arguably places NextEra in the vanguard of US utilities today. This is where NextEra should be, in our view, as the leading renewables supplier in the US. What is particularly important about NextEra's commitment is that it is supported by a clear strategic plan to decarbonise to retain and grow its market share. They identify multiple market opportunities (see picture). In short, their plan is rooted in strong economic drivers, which makes it both powerful and credible.

NextEra's announcement marks a key moment in our engagement, started in 2018 with the Chair. We have seen NextEra step up its investment, R&D and disclosures linked to its role in the energy transition over this period. Sarasin has been working as co-lead of the CA100+ investor engagement effort with CalPERs, the largest US pension fund, and most recently we have escalated by co-filing a shareholder resolution and pre-declaring our votes against the lead director and chair as we sought to press for action [https://sarasinandpartners.com/row/stewardship-post/nextera-energy-needs-to-accelerate-its-net-zero-transition/].

[1] Sarasin & Partners chairs the Accounting and Audit working group at the Institutional Investor Group on Climate Change (IIGCC); was lead author for IIGCC's publication "Investor expectations for Paris-aligned accounting" (Nov 2020); and has continued to lead several engagements with publicly listed companies seeking climate-related disclosures in accounting and audit. Please see our website for more recent public statements on companies and for policy-makers: https://sarasinandpartners.com/stewardship/policy-and-engagement-library/

KEY VOTES AND ENGAGEMENTS
Q2 2022

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
Amazon	25 May 2022	Publish a Tax Transparency Report	For	Failed

We supported a shareholder resolution asking to Publish a Tax Transparency Report. This resolution was coordinated by stewardship consultant PIRC and was specifically asking to adopt country-by-country reporting (CbCR) under the new GRI Tax Standard enacted in 2021. This standard however is not yet well established, and not so many companies report under it.

We have included Fair Tax as one of the priority focus areas in our Amazon Engagement Plan 2022. We have communicated in our email to the Investor Relations of the company that we are keen to see the standardised GRI-based CbCR rather than the piecemeal data on tax paid in specific countries that Amazon currently provides in its ARA and web site. We are planning to engage with Amazon on this.

Percentage of votes cast for the resolution: 17.5% for, 82.5% against.

Company	Date	Resolution	How we voted for you	Result
Bank of Nova Scotia	5 April 2022	Advisory vote on Executive Compensation Approach	Against	Passed

We did not support the remuneration policy due to concerns that bonuses/LTIP can be awarded even where financing is not aligned with net zero (NZ) commitment. We also withheld support for the RemCo Chair due to the same concerns. In our previous engagements, we have encouraged the board to consider introducing a NZ-underpin to protect against bonuses being paid for climate harm.

We engaged with the CFO following the vote. Bank of Nova Scotia had participated in the Bank of Canada's climate stress testing. However, there is still no disclosure of the results, and also there is no mention of how climate is considered in the credit provisioning in the financial statements. We will continue our engagement focusing on full alignment of the company practices with the NZ commitment including the executive remuneration policy and disclosure of financing profile.

Percentage of votes cast for the resolution: 93.6% for, 6.4% against.

Company	Date	Resolution	How we voted for you	Result
Alphabet	1 June 2022	Oversee and Report a Third-Party Racial Equity Audit	For	Failed

We voted in favour of a shareholder resolution asking for an independent third-party audit of racial equity at the company, particularly as there are complaints about alleged discrimination, racial stereotypes related to Google products and other problematic issues. These are material concerns in light of the size and reach of Google.

We believe that an independent third-party racial equity audit assessing the impacts of the company's policies and practices would help shareholders assess the effectiveness of Alphabet's management of workforce inequalities and related risks. We are planning to inform the company of our votes and engage with them on a number of issues including this one.

Percentage of votes cast for the resolution: 22.4% for, 77.6% against

VOTING SUMMARY

		2016	2017	2018	2019	2020	2021	Q1 2022	Q2 2022
Total number of company meetings		968	1,165	1,072	1, 228	771	615	83	327
Total number of proposals		10,387	13,244	13,433	13,373	9,168	7,855	1,000	4,849
Votes cast	For	7,728	8,570	11,152	8,732	6,378	5,886	806	3,497
	Against	1,681	2,354	2,611	2,678	1,646	1,330	137	1,005
	Abstain	61	101	181	129	95	62	6	61
	Withhold	84	83	79	100	77	83	2	100
	Did not vote[1]	833	2,136	1,420	1,641	972	489	49	182

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

Further details are available upon request.

CONTACT:

Natasha Landell-Mills
T: +44 (0)20 7038 7000
email: natasha.landell-mills@sarasin.co.uk

IMPORTANT INFORMATION

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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.**

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SARASIN
& PARTNERS

SARASIN & PARTNERS LLP

Juxon House
100 St. Paul's Churchyard
London EC4M 8BU

T +44 (0)20 7038 7000
sarasinandpartners.com