SARASIN
& PARTNERS

POLICY OUTREACH, COMPANY ENGAGEMENT AND VOTING REPORT

Q1 2023

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.

POLICY AND COMPANY ENGAGEMENT

Market outreach: Net zero voting

Three civil society reports have been released in the-run up to the 2023 voting season. These draw attention to how asset managers vote and the extent to which they are delivering on their commitments to hold companies accountable for climate and broader ESG action. Sarasin & Partners has been profiled in all three. Each of these have a slightly different focus, which is worth highlighting.

At the end of December 2022 Greenpeace again analysed asset manager voting on climate accounting and audit. This has been a priority theme for us and as such, it was encouraging that Sarasin's clear leadership in this area was recognised for the second consecutive year. The report highlighted investors' continued inaction at AGMs, even though these companies have publicly demanded net zero-aligned accounting disclosures. Given that virtually no listed carbon-intensive company properly reflected climate impact in their 2021 accounts (published in 2022) and auditors failed to call this out[1], one would expect investors to respond.

In January Majority Action released its latest analysis of CA100+ signatories' voting actions, covering 73 asset managers.[2] Only a handful exercised their votes to back up demands that companies align their strategies with a 1.5°C-pathway. Sarasin & Partners was identified as one of the seven 'leaders' who supported fewer than 60% of directors at US-listed focus companies. At the time we held seven CA100+ companies and supported 53% of directors. In no case did we support the entire board. The majority of investors supported over 90% of directors (see Majority Action Report 'Fulfilling the promise 2023').

We also noted substantial protest votes (25% and 38% respectively) in line with our proposals, where we formally flagged a vote against directors at NextEra (CEO Robo and Lead Director Barrat) on our website

ShareAction's analysis "Voting matters 2022" focused on voting regarding ESG Shareholder Resolutions.[3] Sarasin supported over 60% of these, ranking us around the average for the overall sample of 68 managers. We are very comfortable with this position.

It has long been our view that shareholders need to use the core shareholder powers at their disposal, including director and auditor appointments, to reflect their views on material ESG issues.

While well-drafted shareholder resolutions can be a helpful tool to flag a matter of concern to boards (and we have co-filed a number over the years including at Barclays, Shell, BP and NextEra), they suffer from important drawbacks, including:

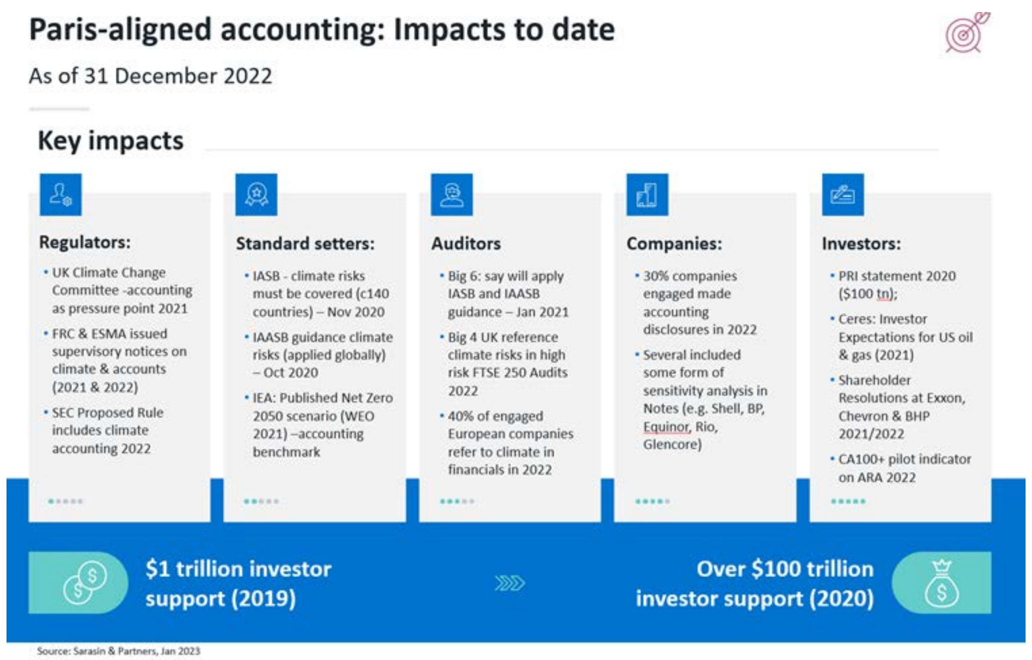
- Cover for inaction: Investors can use shareholder resolution votes to look 'active' on an issue but continue to reappoint the same directors, never holding them accountable for matters they claim to be concerned with;
- Cumbersome processes that divert resource from engagements;
- Normally non-binding, so these can be ignored by boards; and
- Reflect the particular perspective of the proponent, which impacts whether the resolution is worthy of support.

The last point is particularly pertinent when interpreting ShareAction's review. The starting point for their analysis is that all shareholder resolutions should be supported, irrespective of what they say. This is clearly not a defensible position for any asset manager responsible for ensuring thoughtful voting. It amounts to writing a blank cheque.

We will continue to hold boards and auditors to account and consider shareholder resolutions on a case-by-case basis.

Market outreach: Impacts from climate accounting and audit

We have often highlighted the work we have undertaken over the years to promote net-zero aligned accounting and audit. This is, in our mind, vital to ensure capital deployment shifts more rapidly towards decarbonising our economies. This quarter we highlight some of the key impacts we have helped to catalyse through this work. We are building on these achievements in 2023, and will continue to report to you in coming quarters.



Company engagement: Moody's

Moody's plays a key role in shaping capital flows in financial markets, alongside other credit rating agencies. Where they rate a company's credit more favourably – and thus signal a lower risk of default – this helps to unlock capital flows for the rated entity.

As part of this rating analysis, it is important that credit rating agencies consider physical and transition risks that could have a bearing on credit quality. In addition, a growing number of investors have committed to ensuring they channel their capital in line with a 1.5°C-pathway (e.g. for all signatories of the Net Zero Asset Managers initiative, currently totalling $59 trillion of assets[4]). This means credit rating agencies need to undertake 1.5°C stress testing to provide the visibility that a growing portion of their client base demands.

Above all, by incorporating an assessment of Paris alignment and climate risks, Moody's would help catalyse a broader market shift in line with keeping global warming to 1.5°C. Our goal is to encourage it to do this.

In December, we wrote to the Chair to ask that Moody's incorporate a 1.5°C stress test as a matter of routine in its credit ratings analysis and reports for carbon-intensive entities. This quarter we met with Moody's to discuss our ask. While acknowledging the issue, they expressed caution. We plan to escalate our engagement over coming months.

POLICY AND COMPANY ENGAGEMENT– CONTINUED

Company engagement: Home Reit

The situation at HOME REIT continued to aggravate in terms of uncertainty and the lack of transparency. The 2022 financial accounts that were due in December 2022 were still not published in Q1 2023, while the company statutory auditor BDO performed an additional audit in parallel with investigation by forensic accounting expert Alvarez & Marsal. The company shares were suspended from the LSE and removed from the FTSE indices, while two company brokers resigned.

In mid-February the company published an RNS disclosure that additionally revealed:

- Serious deterioration in rent collections has happened since the November 2022 (only 23% of rent has been collected);
- Out of the 67% of the portfolio (by beds) covered by the recent property review, approximately 25% required refurbishment, at the cost of £15-20 million each;
- The board, with its new financial adviser Smith Square Partners, was considering the sale of the company, among other options. Bluestar Group Ltd has expressed interest, and HOME REIT has entered the UK Takeover Panel regulatory regime; and
- The board has suspended payments of quarterly dividends for the foreseeable future.

We sought more clarity on the board strategy and we see the need for more decisive action by the Board of HOME REIT to restore shareholder trust. In the first three months of 2023, we had one in-person meeting, two calls and an extensive written exchange with the Chair of the Board to discuss this.

The Chair shared with us her frustration with the freshly uncovered actions by the previous management of Alvarium HOME REIT Advisors. We further understand the Board did not have full data on properties and tenants. The management company's recent decision to hire an external property manager, whose credentials were questionable, also did not instil confidence.

As we realised the Board's resources were not sufficient to deal with this situation, we highlighted the need for new board member(s). These would ideally be more involved and have the relevant experience to drive change in the management structure. In addition, the company would need to commission a new, fully independent audit of the financial accounts.

We discussed the situation with other big investors in HOME and concluded that they all shared the same frustrations with the lack of clarity, and had similar views regarding the future progress. At the company AGM on 20 February, where no items were put on vote, a number of such questions were raised, but the Chair failed to provide additional clarity.

We subsequently decided to send a formal letter to the entire Board at the end of February, reiterating our concerns and asking questions on the Board's vision for the next steps. We also highlighted that continuity of HOME REIT's operations was among our goals, given that a large number of highly vulnerable people might suffer should this not be the case. We see an urgent need for new expertise at the management level to take proper care of this highly complex business model.

The company issued some reassuring news in early April, including that the Board had received and was reviewing proposals from six candidates to act as the company's investment adviser. It was also reviewing an initial draft of the forensic accounting report, which is essential for the finalisation of the company statutory 2022 accounts.

We will continue our conversation with the Board about the strategy. We expect better disclosures and more decisive actions, while we acknowledge that their options are narrowed by the Takeover Panel rules and the still unfinished process of approval of financial statements.

Company engagements: Middleby

We sent a post-proxy letter to the Chair of Middleby in December 2022, highlighting the concerns behind our votes against the Board proposals at their 2022 AGM. These concerns included board independence and diversity, as well as the CEO remuneration policy.

We had a call with the Board Chair to discuss these issues on 24 January. Even though we did not mark this as a Milestone or Impact, we still saw it as a productive conversation. We had a chance to see how involved the Chair was in the company strategy and could evaluate the relevance of his expertise. We specifically discussed the role of the Board in effectively overseeing the past acquisitions and adopting the current strategy of limiting them to avoid extra risks. We appreciate the Chair's vision of the board 'serving shareholders, not management'.

Though we did not have the reason to challenge the Chair's independence of mind, we are still concerned with his long tenure on the Board: he has served for 17 years, including four years as the Chair.

Further, Middleby is slightly missing our target on the board gender diversity: it has 29% women and not 30%. We believe they deserve a grace period on voting

POLICY AND COMPANY ENGAGEMENT– CONTINUED

in 2023 and have faith they will make an improvement in due course through board refreshment. We discussed their approach to skills assessment, which we see as an indicator of their ambition for the right balance on the Board.

Regarding CEO remuneration, we highlighted our expectation of a long-term shareholding requirement at the level of at least 600% of the base salary. Additionally, we discussed something that seems to be standard CEO remuneration practice in the US: they set the threshold level of long-term incentives (LTI) so low that it potentially incentivises below-median performance. In Middleby's CEO LTI plan, the performance-based restricted stock units will be allowed to vest at the threshold of the relative total shareholder return (TSR) reaching less than the 25th percentile of the peer group, rather than the accepted median percentile.

We received positive signs that the chair would take our concerns seriously, but we will need to monitor progress and engage again after some time to see whether any of them have been addressed. We expect some actions to be taken over approximately the next six months.

Company engagement: Samsonite International

As a follow-up to our post-proxy letter in 2022, we had an in-person meeting with the Chair of Samsonite International. He is a non-executive Chair who had executive experience with the company until nine years ago and owns a substantial amount of the company shares.

We highlighted our main ESG concerns, which include the board's staggered structure, its independence, auditor tenure and further disclosures. We welcomed the fact that the Board has improved gender diversity to 398% since our previous engagements.

From this conversation, we obtained the Chair's commitments to consider moving away from the staggered board structure and foster a process of director rotation, particularly given the need for additional digital and international branding expertise on the Board.

We still could not agree on some items. KPMG has been Samsonite's auditor since 1973 and we discussed the need for auditor rotation to ensure its independence. We believe this is needed despite all the cost and effort that it would require. We acknowledge that auditors routinely practice audit partner rotations, but this is still not enough to ensure the full independence of the audit approach that investors would value, particularly in view of the history of allegations on related-party transactions.

We also discussed the need for better tax transparency. For example, country-by-country reporting (CbCR) of tax information would give investors comfort that the company is not applying a risky tax optimisation policy. We also discussed the additional benefits and costs of potentially getting a dual HK & US listing. At this stage, the Chair believes that the costs seem to outweigh the potential benefits.

We will monitor the situation and watch out for any new developments.

[1]https://carbontracker.org/reports/still-flying-blind-the-absence-of-climate-risk-in-financial-reporting/

[2]https://static1.squarespace.com/static/5d4df99c531b6d0001b48264/t/63d43cb67f2b7770f54b9e12/1674853560456/MA+Fulfilling+The+Promise+01.24.2023.pdf

[3]https://shareaction.org/reports/voting-matters-2022/introduction

[4]https://www.netzeroassetmanagers.org/signatories/

KEY VOTES

Shareholders have an important responsibility in holding 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.[1]

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.

Date:

28 March 2023

Resolution:

Approve creation of capital band within the upper limit of CHF 8 million and the lower limit of CHF 7.3 million with or without exclusion of pre-emptive rights

How we vote for you:

Against

Result:

N/A at the time of the report

SGS

We analysed this proposal to issue new shares without pre-emptive rights on a case-by-case basis and found that the suggested amount of the capital band exceeded the local market practices. When combined with the existing conditional capital, this would allow for a capital increase without pre-emptive rights for up to 21.4% of the issued share capital, which we believe is excessive for the rights of existing shareholders.

Percentage of votes cast for the resolution: N/A% For, N/A% Against.

[1]For further information on our stewardship philosophy, please refer to our annual Stewardship Report, available on our website.

KEY VOTES – CONTINUED

Date:

22 February 2023

Resolution:

Elect Director Clayton M. Jones

How we vote for you:

Against

Result:

Passed

DEERE & COMPANY

We will vote against a resolution to appoint a non-independent director to committees dealing with audit, remuneration or nomination matters. Jones chairs both the Nominations and Governance committees and sits on the audit committee. Given Claydon Jones' tenure of 15 years, we consider him non-independent. He also sits on the Audit Committee, which is not helpful given the importance of independence here.

We engaged with Deere nine times in 2022, and four of these engagement activities had a meaningful impact. For example, they have improved gender diversity of the board and got their interim carbon reduction targets for 2030 approved by the Science-Based Targets initiative (SBTi). However, director independence, as well as the long tenure of the company auditor, remain governance concerns. We will follow-up on these.

Percentage of votes cast for the resolution: **94.2%** For, **5.8%** Against

Date:

19 January 2023

Resolution:

Advisory vote to ratify named Executive Officers' compensation

How we vote for you:

Against

Result:

Passed

COSTCO WHOLESALE CORPORATION

We will vote against remuneration report and policy where there are inadequate 'claw-back' policies. These enable a company to reclaim compensation (bonuses and other incentives) awarded for performance that was subsequently found to be erroneous or short-lived. This is an important element of our voting policy on executive compensation. The Remuneration Committee should have the ability to reclaim or 'claw-back' compensation where it has been awarded erroneously or for performance that is short-lived, due to, for instance, excessive risk-taking that destroys value.

Percentage of votes cast for the resolution: **95.4%** For, **4.6%** Against

VOTING SUMMARY

		2016	2017	2018	2019	2020	2021	2022	Q1 2023
Total number of company meetings		968	1,165	1,072	1, 228	771	615	622	72
Total number of proposals		10,387	13,244	13,433	13,373	9,168	7,855	7,972	1,026
Votes cast	For	7,728	8,570	11,152	8,732	6,378	5,886	5,913	788
	Against	1,681	2,354	2,611	2,678	1,646	1,330	1,416	129
	Abstain	61	101	181	129	95	62	83	11
	Withhold	84	83	79	100	77	83	113	0
	Did not vote[1]	833	2,136	1,420	1,641	972	489	336	33

[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

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

This document has been approved by Sarasin & Partners LLP which is a limited liability partnership registered in England and Wales with registered number OC329859 and is authorised and regulated by the UK Financial Conduct Authority. It has been prepared solely for information purposes and is not a solicitation, or an offer to buy or sell any security. The information on which the document is based has been obtained from sources that we believe to be reliable, and in good faith, but we have not independently verified such information and we make no representation or warranty, express or implied, as to their accuracy. All expressions of opinion are subject to change without notice.

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.**

Neither Sarasin & Partners LLP nor any other member of J. Safra Sarasin Holding Ltd accepts any liability or responsibility whatsoever for any consequential loss of any kind arising out of the use of this document or any part of its contents. The use of this document should not be regarded as a substitute for the exercise by the recipient of his or her own judgment. Sarasin & Partners LLP and/or any person connected with it may act upon or make use of the material referred to herein and/or any of the information upon which it is based, prior to publication of this document. If you are a private investor you should not rely on this document but should contact your professional adviser

SARASIN
& PARTNERS

SARASIN & PARTNERS LLP

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

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

00123_Tue.13.06.23_9:58 am