SARASIN
& PARTNERS

2023 STEWARDSHIP REPORT

UK STEWARDSHIP CODE

APRIL 2024

This document is intended for retail investors and/or private clients. You should not act or rely on this document but should contact your professional adviser.

INTRODUCTION

In a year dominated by the stellar performance of seven technology innovators*, we saw a distinct cooling of the market's obsession with 'ESG' (Environmental, Social and Governance) investing. Clamours against so-called 'woke capitalism' grew louder, with certain US Republican-led states initiating or threatening anti-ESG litigation.

More broadly, heightened geopolitical tensions added to the sense of discord. The war in Ukraine continued into a second year, and tragic events unfolded in the Middle East towards the end of the year. Yet again, we saw record-breaking temperatures, with catastrophic weather events exposing the dangers of ongoing political paralysis around climate change.

Far from leading us to move away from our stewardship commitments, this uncertainty underscored the importance of rigorous ESG analysis, thoughtful company engagement and proactive market outreach in our efforts to protect and enhance our clients' capital. It is our responsibility to be long-term stewards of capital; this is how we deliver on our mission to secure tomorrow for our clients.

In 2023, weak governance and labour and human rights risks embedded in supply chains remained priorities. We co-chaired the launch of a Net Zero Banking Standard, giving investors an important tool to engage with these crucial allocators of capital. We put the spotlight on the centrality of climate risk management for banks' long-term capital strength. We continued to gain support from investors, regulators and companies for our calls to see material climate impacts included in companies' financial statements.

Equally, the speed and overwhelming popularity of artificial intelligence (AI) development has pushed our work on ethical AI to the forefront. With so many companies pinning their hopes on AI to boost their productivity and future returns, it is vital that this development happens in an ethical and responsible manner.

Closer to home, we welcomed the ongoing regulatory efforts in the UK and elsewhere to weed out greenwashing. In order to ensure our claims about responsible investing are fair, clear and not misleading, we have enhanced the way we keep track of, and report on, our stewardship activities, as well as the milestones and impacts we contribute to.

Added to this, we continued our focus on ethnic diversity. Through our leadership of the 30% Club UK Investor Group Race Working Group, we engaged with UK-listed companies to improve the representation of people of colour in senior positions.

Enhancing our client reporting was a priority in 2023. Building on the launch of our client portal in 2022, we developed a bespoke client stewardship report to demonstrate the ESG profile and voting activity unique to every client's portfolio, in addition to highlighting our company engagements. We also introduced additional disclosure of our voting activity and rationales on our website.

We hope this 2023 firm-wide stewardship report provides further evidence to our clients and other interested stakeholders that we remain committed to implementing the Financial Reporting Council's (FRC's) Stewardship Principles, not just to tick a box, but because we believe this ultimately will deliver better and enduring performance for our clients.

ABOUT THE UK STEWARDSHIP CODE

The UK Stewardship Code 2020 (Code) sets high stewardship standards for asset managers, asset owners and service providers. It 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 FRC requires all signatories to the Code to publish an annual statement showing the extent to which they have complied with the Code, detailing how its principles have been applied and disclosing specific information. Our 2023 Stewardship Report serves this purpose, as well as meeting Shareholder Rights Directive II requirements and informing our clients and civil society organisations about our stewardship activities in 2023.

*Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia and Tesla

CONTENTS

PRINCIPLE 1

PURPOSE, STRATEGY AND CULTURE

Sarasin & Partners LLP is a London-based limited liability partnership offering discretionary asset management services to charities, private clients, intermediaries and institutional investors in the UK and around the world. Our assets under management amount to £18.8 billion (as at 31 December 2023).

OUR PURPOSE AND MISSION

Our purpose is encapsulated in our mission statement:

Think thematically. Invest responsibly. Drive change. Together we can secure tomorrow.

Our overriding commitment to our clients is to protect and grow their capital. We take a global, long-term, thematic approach to investing, with engaged stewardship at its core. Through integrated ESG considerations, active ownership and impactful policy outreach, we aim to improve financial outcomes for our clients and help secure tomorrow.

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. This report demonstrates how these core values inform our investment approach, how we support our clients, how we interact with other external stakeholders and how we make business decisions. We highlight three core values that 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. We recognise that we are stronger together than as individuals. Diversity in all forms strengthens us.

STEWARDSHIP

We are long-term investors, committed to acting as responsible owners to secure enduring value for our clients.

Across all assets, we undertake rigorous bottom-up analysis to identify leaders that offer attractive and enduring return prospects as a result of the value they deliver.

OUR BELIEFS

DURABLE 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 or capital protection, and where this is currently under-appreciated by the market. Our thematic approach guides us towards markets and activities that will 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 their responsibilities to their customers, staff, local communities, the environment and their investors seriously. We seek to avoid issuers whose success depends on imposing material adverse impacts on society and/or the environment, which we do not feel could be addressed through active engagement with the board.

We believe we add value by engaging with the leadership of entities that our clients hold, supporting their long-term value-enhancing action while challenging unsustainable behaviour where it exists. Responsible and proactive ownership work is as important as a considered approach to selecting which securities to buy or hold.

It is important to apply judgement. We understand that the world is complex. Standards, rules and expectations vary between countries and communities, and the potential for unintended consequences is high. We therefore avoid hard-and-fast rules and are guided by a focus on our goal of delivering enduring value to our clients.

We believe in a holistic approach. Barriers to sustainable growth often do not originate with companies but rather come from poorly designed policies or market practices. We aim to understand market-wide dynamics. Where we see policies, practices or behaviours that are contrary to long-term sustainable growth, and we believe we can catalyse a positive change, we will engage with key market influencers – whether governments, regulators, standard setters or others.

CASE STUDY: SARASIN SUPPORTS EFFORTS TO PREVENT GREENWASHING

Building on regulatory efforts last year, the Financial Conduct Authority (FCA) finalised requirements intended to tackle greenwashing in the investment industry towards the end of 2023. As part of the Sustainability Disclosure Requirements (SDR), the new anti-greenwashing rule has been designed to ensure that sustainability-related claims about firms' products and services are fair, clear and not misleading.

Sarasin & Partners welcomes these new requirements. As a long-standing advocate for responsible stewardship, we are particularly supportive of the emphasis on rigorous analysis of ESG factors. Alongside this, engagement and voting are key mechanisms to achieve positive outcomes. As we aim to demonstrate in this report, we believe investors can play a catalytic role in promoting more sustainable behaviour in companies and the broader market through proactive engagement with company boards, executives and other influential stakeholders. We view this as aligned with our goal of delivering enduring value to our clients.

In response to the FCA's new requirements due to come into effect from mid-2024, we set up two workstreams (one focused on SDR and the other on preventing greenwashing in our fund materials) with senior executive participation. These projects complement work already undertaken to fulfil requirements under the European Union's Sustainable Finance Disclosure Regulation for our Irish-domiciled funds. In addition, in 2023 we undertook a project to implement key recommendations from an internal audit to strengthen ESG and stewardship policies and procedures.

We also started work to meet the Task Force on Climate-Related Financial Disclosures (TCFD) reporting requirements by building on climate-related reporting under our Net Zero Asset Managers (NZAM) commitment. The reports are due at the end of June 2024.

We believe we are well placed to meet regulatory expectations on the basis of our:

- Past and ongoing investment in the Sustainability Impact Matrix (SIM) for tracking material ESG factors;
- Net-zero alignment analysis;
- Established process for integrating these factors into our investment analysis;
- Detailed Ownership Discipline; and
- In-house engagement tracker that enables us to monitor and report our engagement work to clients.

We recognise the importance of ongoing vigilance and always seek to improve where we can.

OUR STRATEGY: TRANSLATING OUR BELIEFS INTO ACTION

We put our beliefs into practice through **three pillars**.

A GLOBAL THEMATIC INVESTMENT PROCESS FOCUSED ON LONG-TERM VALUE DRIVERS

For equities, we implement a thematic investment process focusing on companies that support significant global trends that will likely play a key role in shaping the investment landscape over the long term. These are climate change (transition and adaptation), digitalisation, automation, ageing and evolving consumption. For fixed income, while we have broad economic exposure, we favour activities that we believe will generate positive externalities – such as renewable energy infrastructure, housing associations, education, public transport and the not-for-profit sector.

Across our equity and fixed income holdings, we undertake rigorous bottom-up analysis of ESG characteristics as core elements of the investment process using our SIM. These are incorporated into valuation analysis. We also undertake net-zero alignment assessments and stress tests for climate risks. Our investment process is discussed further under **Principle 7**.

1 **LONG-TERM VALUE DRIVERS**

- Align with long-term global trends
- Rigorous bottom-up ESG analysis
- Ongoing monitoring

ACTIVE OWNERSHIP

An integral part of our investment process is fulfilling the ownership responsibilities associated with investments held on behalf of our clients. We have published an Ownership Discipline, which guides our activities as an active owner. Once we have bought an issuer's security, we monitor the business's strategic outlook and ESG performance.

We seek regular dialogue with board members and management to monitor progress, and reach out for additional conversations where concerns arise. In the case of shares, we vote thoughtfully, based on our Corporate Governance and Voting Guidelines. In certain circumstances, we escalate our engagement, using tools available to us such as building investor coalitions, calling for votes against directors or auditors, making public statements or filing shareholder resolutions. Please see **Principles 9, 11** and **12** for more detail on this.

2 **ACTIVE OWNERSHIP**

- Impactful engagements
- Thoughtful voting
- Robust escalation

THOUGHT LEADERSHIP AND POLICY OUTREACH

Where we find market practices or policies that encourage harmful or unsustainable corporate behaviour and we believe we can contribute to positive change, we will speak out. We engage with other investors, non-governmental organisations, policymakers, regulators and market influencers to deliver a market environment in which sustainable behaviours are properly rewarded, and harmful activities penalised. Further details can be found under **Principle 4**.

3 **THOUGHT LEADERSHIP AND POLICY OUTREACH**

- Speaking out
- Collaborating with industry partners
- Helping shape the policy landscape to promote enduring returns

We believe these three pillars are mutually reinforcing and essential to delivering enduring value for our clients. It is worth stressing that we do not outsource our stewardship responsibilities to third parties, as this 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 to cater for client demand (see **Principle 6** for further detail), as well as more tailored ESG-tilted strategies. These include our Climate Active and Tomorrow's World strategies.

CASE STUDY: GENERATIVE AI AS AN INVESTMENT TREND AND SOCIETAL CHALLENGE

We have seen some important technological changes in recent years, including an evolution of cybersecurity tools and acceleration of the public cloud transition. They have had a profound impact on our investment ideas and helped evolve our thematic approach. Our digitalisation investment theme explores opportunities across sub-themes such as digital media, cloud, digital commerce and connectivity (see **Principle 7**).

Technological developments are also having wide-ranging impacts for society – some are enormously positive, while others can be harmful. Consequently, in conjunction with our investment analysis, we have continued building our stewardship work on responsible technology over 2023. Through this workstream, we are developing clear investor expectations for companies to ensure an ethical approach to digitalisation processes. These expectations should consider and seek to address impacts on the public interest, whether human rights, labour, customers, democratic institutions or the environment.

The most recent technological advance, generative AI, is a particular focus for us given its potential to transform human lives and, thus, the investment landscape. With the launch of ChatGPT at the end of 2022, followed by other similar tools, AI has rapidly moved into all spheres of the economy and everyday life. It can now write, sing, draw, speak and act. Importantly, it can build new products, including creative writing, software, new drugs or materials.

Generative AI, with its exponential capacity growth and adoption, is expected to have a significant impact on productivity: global GDP may increase by 7%, and approximately 300 million jobs will likely be affected in some way.[1]

McKinsey estimates that about $30 trillion in corporate revenues will arise from products that have not yet reached the market.[2]

From an investment perspective, the opportunities could potentially be vast. We look for specific sectors, opportunities and risks associated with AI as we try to identify the companies likely to benefit most from this progress.

At the same time, we wish to ensure that the progress is real and happening safely, to protect long-term value creation. It is important, for instance, to protect against possible AI hallucinations, unsolicited data proliferation, aggressive actions, deepfakes and potential biases. Property rights, human rights and labour rights should all be respected. There needs to be a consensus on values applied in AI-based solutions, as well as mechanisms to enforce them across all applications, including open architecture.

As we develop our expectations for corporate best practice, we closely monitor legislative and regulatory initiatives. In the US, for example, we welcomed a meeting between President Biden and seven top generative AI companies in July 2023. It launched commitments to eight action points that address the most drastic societal risks, such as misuse of technologies, safety and privacy breaches, bias and discrimination. Further, President Biden's Executive Order on the Safe, Secure, and Trustworthy Development and Use of Artificial Intelligence in October 2023 directs certain federal agencies to implement key AI principles.

In Europe, regulation is increasing even more rapidly with the introduction of the European AI Act. This follows a risk-based approach and establishes control obligations for providers and those deploying AI systems depending on the level of risk.

The UK government has also stepped up, hosting the first Global AI Safety Summit in early November 2023.

Against this backdrop, it is clear that companies need to act to ensure they minimise harm to the public and to keep pace with the regulatory framework. We are embedding these developments in our engagements, with a focus on AI transparency, quality of governance and commitment to principles and goals.

To amplify our voice and share best practice, we are also working with partners such as the World Benchmarking Alliance's Collective Impact Coalition on Ethical AI. We use its analytical tool, the Digital Inclusion Benchmark, which assesses 200 tech sector and communications companies.[3] Alongside this, we use the Big Tech Scorecard from Ranking Digital Rights, as well as the University of Stanford Centre for Research on Foundation Models' Foundation Model Transparency Index.

See our market outreach activities on ethical AI in **Principle 4** and an example of our collaborative work in **Principle 10**.

[1] Generative AI could raise global GDP by 7%, 5 April 2023, Goldman Sachs,

[2] The original source of this estimate is: Roberto Argolini, Federico Bonalumi, Johannes Deichmann and Stefania Pellegrinelli, "Digital twins: The key to smart product development," McKinsey, 31 July 2023.

[3] Future iterations of the benchmark and its associated projects will include a separate indicator on ethical AI, expanding on the relevant elements in the current methodology.

PURPOSE, STRATEGY AND CULTURE | PRINCIPLE 01

PRIORITISATION

Inevitably, we cannot do everything, so we prioritise our work through the identification of key stewardship initiatives. Each initiative seeks to address what we view to be materially harmful ESG factors associated with our clients' holdings. We would expect each initiative to last for at least one year, and often several. Initiatives provide the umbrella for several goals that we run as individual projects, but ultimately support the broader ambition of the initiative. In most cases, we would see both company and policy engagement linked to a single initiative, allowing us to work on different dimensions to promote a more sustainable outcome.

We determine our stewardship priorities on an ongoing basis so that we can respond to changing societal and market trends promptly and flexibly. This does not mean there are frequent changes, but rather that we will always be alert to new issues as they arise and react where required.

Our list of 2023 stewardship initiatives is below:

1 PARIS ALIGNMENT

We promote alignment with a 1.5°C-pathway agreed under the Paris Climate Agreement. We also undertake policy advocacy work to shift the broader market.

2 SOCIAL VALUE CHAIN

We aim to ensure that the companies in which we invest act responsibly with respect to the welfare of their stakeholders, including their employees, suppliers, customers and the communities in which they operate. We focus on diversity, equity and inclusion (DEI), human and labour rights.

3 GOOD GOVERNANCE

We promote robust oversight, controls and disclosure, including well-qualified, diverse and majority independent boards, supported by fully independent committees (e.g. audit); moderate remuneration packages aligned with long-term value creation; robust internal control systems and meaningful shareholder rights.

4 ROBUST AND INDEPENDENT ACCOUNTING AND AUDIT

We promote accounting standards and practices that are consistent with long-term capital protection and enhancement. We expect prudence to prevent overstatement and contain excessively risky behaviour. Also, we promote robust and independent audit as a key line of defence against misleading accounting. We expect strict policies to prevent conflicts of interest, regular audit firm rotation and meaningful disclosures by auditors to investors.

5 RESPONSIBLE TECH

As digital technology has become part of our lives, we need to ensure technology companies act in society's long-term interests. Issues include threats to privacy and security of the data, intellectual property rights, biases and disinformation, anti-competitive behaviours and tax avoidance.

6 CIRCULARITY

We aim to promote a sustainable circular economy, with a particular focus on plastics (overall reduction, virgin plastic reduction, recycling, reuse, etc.).

We discuss how we prioritise our stewardship activities and how we engage on these priorities under **Principles 4** and **9**.

EFFECTIVENESS OF OUR APPROACH

The effectiveness of our approach can be best gauged through the impacts that we have on company behaviour and market policies, standards and practices. We discuss those in various parts of this report.

Under **Principle 9** we provide statistics for the overall milestones and impacts achieved through our company engagement work, alongside specific examples for equities, fixed income and alternatives holdings. Under **Principle 10** we provide examples of collaborative engagements. Under **Principle 11** we provide examples of escalations for specific engagements, in order to deliver the intended impact. Under **Principle 4** we describe the impact of our policy outreach.

Under **Principle 5** we describe the internal processes for reviewing our stewardship policies, procedures and external reporting. We outline tools we use to assess and report on the effectiveness of our stewardship work, demonstrating how our process has delivered. We also show third-party evaluations of our stewardship work, which further evidence our effectiveness.

Under **Principle 6** we show how we engage with our clients to make sure our approach is consistent with their investment strategies.

The following key documents are available on our website:

PRINCIPLE 2

GOVERNANCE, RESOURCES AND INCENTIVES

Having a robust 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.

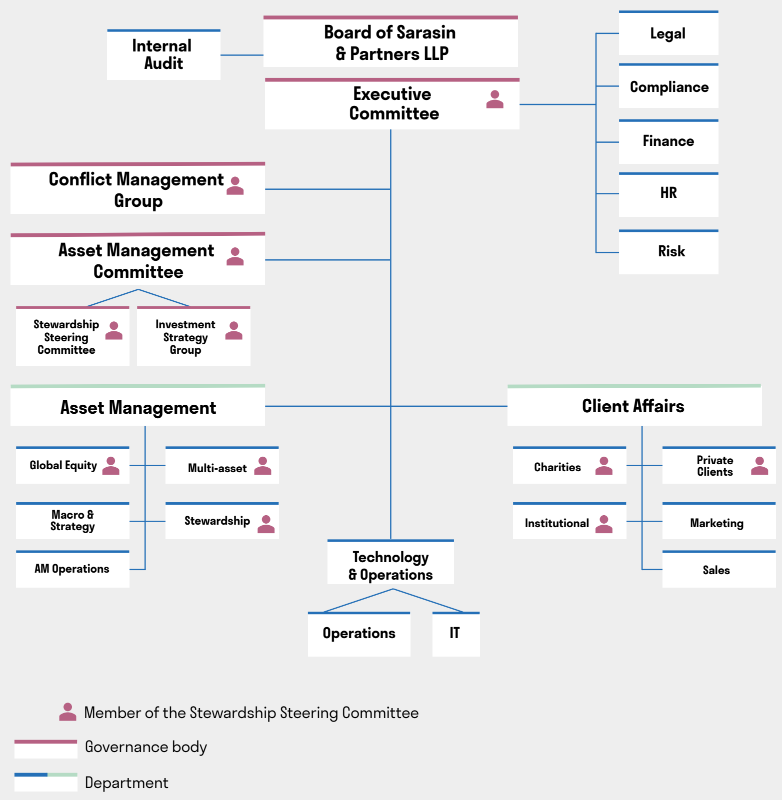
Below we set out our governance system for impactful stewardship. We believe it has delivered positive outcomes, as reflected in our long-term financial performance, third-party evaluations of our stewardship work (see **Principle 5**) and the outcomes following our company engagement work and examples of collaborative engagement (**Principles 9** and **10**).

GOVERNANCE

The organisational charts shown here provide an overview of the key elements of our governance structure at the firm level and within our asset management department, as described below.

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 comprises 24 partners, two independent non-executive directors and two representatives from our parent company, J. Safra Sarasin Group. Our stewardship work is a routine item on our board agenda.

SARASIN & PARTNERS ORGANISATIONAL CHART



Source: Sarasin & Partners, 31 December 2023

The Executive Committee is chaired by the Managing Partner. It has representatives from key functional groups, including the Head of Asset Management and 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 board's agreed budget and strategy. The Executive Committee approves key strategic, operational and reporting decisions relating to stewardship work. These are normally passed to the Executive Committee by the Asset Management Committee or the Stewardship Steering Committee.

The Investment Strategy Group (ISG) is chaired by the Head of Asset Management. It explores the long-term macroeconomic outlook as a basis for considering implications for asset allocation and our investment approach. Sustainability is integrated into our expected returns approach.

The Asset Management Committee (AMC) is chaired by the Chief Investment Officer (Multi-Asset) and has representatives from Asset Management and other departments, including the Chief Operating Officer, Head of Asset Management and Chief Investment Officer (Global Equity). The AMC reviews strategic or operational proposals from the Stewardship Steering Committee. It either approves these directly, where it has the authority to do so, or passes the matter to the Executive Committee for approval.

The Stewardship Steering Committee (SSC) is chaired by the Head of Stewardship and aims to ensure effective oversight, as well as cross-business input and support for the firm's stewardship work.

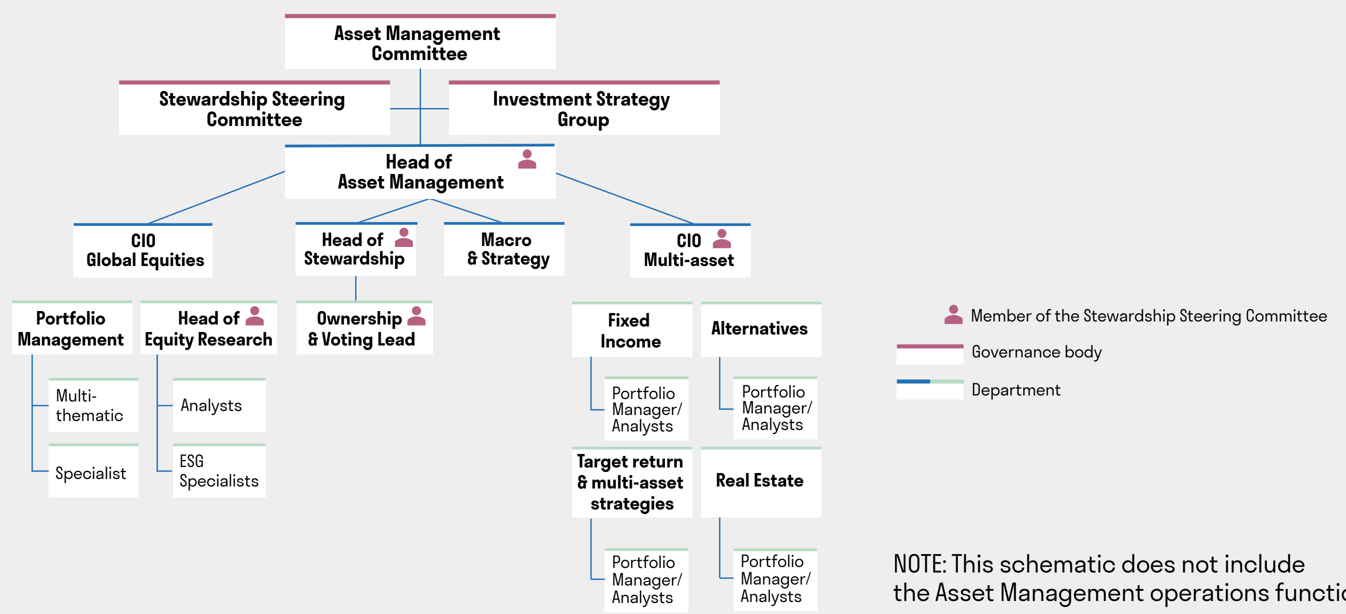
Membership: The SSC includes senior representatives from across the business, including our Managing Partner, Head of Asset Management and Chief Operating Officer.

- **Work:** Meetings take place at least quarterly. The agenda includes setting engagement and policy priorities for each year, monitoring stewardship activities across asset classes, reviewing external stewardship reporting and managing stewardship commitments in light of evolving client expectations and regulations.
- **Controls:** Stewardship-related policies and procedures are reviewed by the SSC and receive formal approval from the AMC when this is a regulatory requirement.
- **Reporting:** The SSC reports into the AMC. Decisions and subsequent actions are notified to the relevant individuals/governing bodies.

Our **Head of Stewardship** is responsible for shaping stewardship activities, ensuring they are properly implemented, and has oversight of the SSC. She works closely with the Head of Global Equity, Head of Multi-Asset and Head of Global Equity Research, who share responsibility for the delivery of our stewardship and ESG integration work. The Head of Stewardship leads our public policy positioning, with stewardship specialists driving the identification and prioritisation of stewardship issues.

Alongside our internal governance structures, we set up advisory panels from time to time, made up of external experts. In 2017 we established our Climate Active Advisory Panel to help us consider all matters relating to investing against a backdrop of climate change and accelerating decarbonisation. The panel meets formally four times a year, supplemented by informal communications between meetings. They discuss our investment analysis, corporate engagement and policy outreach to drive more robust action in tackling climate change.

ASSET MANAGEMENT ORGANISATIONAL CHART



NOTE: This schematic does not include the Asset Management operations function

Source: Sarasin & Partners, 31 December 2023

2023 RESOURCE AND SYSTEM ENHANCEMENTS

STEWARDSHIP

The most impactful enhancement we made in 2023 was the decision to add a proxy voting dashboard (PVD) to our website. This gives real-time disclosure of all our voting activities over various time periods, organised by fund and entity level. We also finished the roll-out of our engagement tracker and engagement reporting tool. The tracker enables centralised record-keeping of our engagements to achieve better communication within the asset management team, supporting more effective discussions with issuers, tighter controls over escalation steps and closer links to the investment analysis. We broadened the scope of our post-proxy letters to cover 58 companies, up from 54 in 2022, promoting various subsequent engagements.

GLOBAL EQUITY

Our investment process constantly evolves as we respond to regulatory requirements, seek new sources of data and optimise our analysis in order to improve investment outcomes.

We migrated our financial modelling to a new format that adds insights into factor risks and opportunities, while providing real-time market inputs into peer valuations. We also added three new ESG data providers. Green Street is a platform-based proprietary ESG data tool for the global real estate sector; Alpha Sense provides a comprehensive news data base and access to an expert network which enhances our understanding of markets, industries and products; while GaiaLens specialises in the qualitative assessment of ESG issues with a particular focus on reported and potential controversies. Combined, these changes enhance our Sustainability Impact Matrix (SIM), which in turn improves our level of stock conviction. In addition, they are used to meet requirements under the EU Sustainable Finance Disclosure Regulation and may prove useful ahead of the forthcoming UK Sustainability Disclosure Requirements and investment labels regime.

FIXED INCOME

We reviewed the fixed income ESG process, updated the materiality map and made various changes to the way we approach the SIM to be more in line with equities. We continued to develop a high-level framework for climate stress testing in line with our NZAM commitment.

ALTERNATIVES

We invest in alternative assets through listed investment trusts and open-ended UCITS. In 2023 the bulk of our engagement effort was directed towards addressing material governance failures. Building on our experience, we initiated dialogue with like-minded investors and specialist consultants to promote governance enhancements for investment trusts. We have reached out to the Association of Investment Companies and are discussing joint efforts to develop proposals for use across the industry and potentially to share with the FCA.

RESOURCES

The asset management team comprises 58 employees as of 31 December 2023. The team includes four dedicated stewardship specialists.

The full resource focused on ESG and stewardship is not limited to our stewardship specialists. As discussed in **Principle 7**, equity, fixed income and alternatives analysts undertake ESG analysis with support from stewardship specialists. Company engagement and voting are likewise a joint endeavour led by the stewardship team. Please see more on our investment and ownership process in **Principles 7** and **9**.

Our research and stewardship specialists have varied backgrounds and experience from within asset management, non-governmental organisations, government, policy research institutions and business. The range of backgrounds and expertise helps ensure that diversity of thought and challenge are embedded in our stewardship thinking.

Please see the box overleaf outlining our firm's broader efforts on diversity and inclusion.

SUPPORT AND INCENTIVES FOR STEWARDSHIP

Analysts are expected to keep abreast of ESG risks and opportunities for their coverage by accessing our research providers and attending relevant conferences and webinars. The Head of Equity Research and the Head of Multi-Asset Research oversee and review research providers to maintain the quality of these inputs.

In 2023, approximately 10% of our overall research budget was spent on dedicated ESG research provided by companies such as ISS Governance, Diligent, GaiaLens, Moody's and MSCI. In addition, we expect our other research providers to deliver ESG insights. This is a criterion we assess in our ongoing reviews of research quality.

Among other stewardship tools, we use Institutional Shareholder Services (ISS) to help implement our voting policy. We also participate in various collaborative investor initiatives which provide inputs that we draw on. Examples include the International Corporate Governance Network or the Institutional Investor Group on Climate Change (IIGCC). Please see **Principle 4** for further detail on our partnerships. We conduct regular service reviews, as discussed in more detail in **Principle 8**.

Stewardship specialists provide regular training for investment and client-facing staff, through presentations at our twice-weekly morning meetings and dedicated internal stewardship teach-ins. The stewardship team also routinely circulates 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 Certificate in ESG Investing. In total, four of our analysts have now taken a formal ESG or Climate and Investing course.

The investment team's incentives reflect five-year performance versus tailored benchmarks, the achievement of priority objectives agreed with a line manager, as well as alignment with Sarasin & Partners' core values (see **Principle 1**). Where individuals are found lacking in either ESG and engagement-related priorities or their adherence to the stewardship core values, this will impact their awards and prospects for advancement in the firm. The stewardship team is assessed against the core engagement and policy objectives for the year. 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, where company behaviour has changed for the better and shifts in the policy debate.

DIVERSITY AND INCLUSION

Diversity and inclusion (D&I) is a key focus of our organisation, as reflected within our core values (see **Principle 1**).

We promote diversity and equal opportunities amongst staff and in our governance structures. We believe it is important to measure, monitor and manage our efforts in this area so we can maintain a strong and positive culture.

We have established a D&I Committee comprising colleagues from across the organisation. The committee's mission statement and operating framework provides focus areas, including training, education and communication, as well as delivering a comprehensive employee survey to track progress. We also launched an ethnic minority forum during 2023.

In 2023 we successfully embedded a work experience programme in partnership with a charity supporting disadvantaged students from across the UK. We help young people realise their potential by offering an entry opportunity for a future career pathway. Additionally, we established NexCo, a body that aims to give younger demographics in the business an additional voice with senior management.

As of 31 December 2023, 32.8% of our asset management staff were female; 100% of stewardship specialists are female and 50% from an ethnic minority background. We report on our D&I performance in our annual Corporate Social Responsibility report.

D&I COMMITTEE

Mission statement	Sarasin & Partners commits to promote a culture where all stakeholders are accepted as individuals and treated fairly and respectfully. We will aim to improve diversity both within the firm and across the asset management industry.			
Two strands	**INCLUSION** Sarasin & Partners commits to promote a culture where all stakeholders are accepted as individuals and treated fairly and respectfully.		**DIVERSITY** We will aim to improve diversity both within the firm and across the asset management industry.	
Sub-committees	**BELONGING**	**EQUALITY**	**REPRESENTATION**	**OUTREACH**
Four goals	Make progress towards an environment where all employees feel their identity and background are accepted and valued at S&P.	Make progress towards an environment where all employees feel they are treated fairly and respectfully and are empowered to achieve their potential at S&P.	Achieve a measured, material improvement in diversity within the firm.	Make significant contributions to improving diversity within our industry, becoming a leader rather than a laggard among peers.

STEWARDSHIP REPORTING

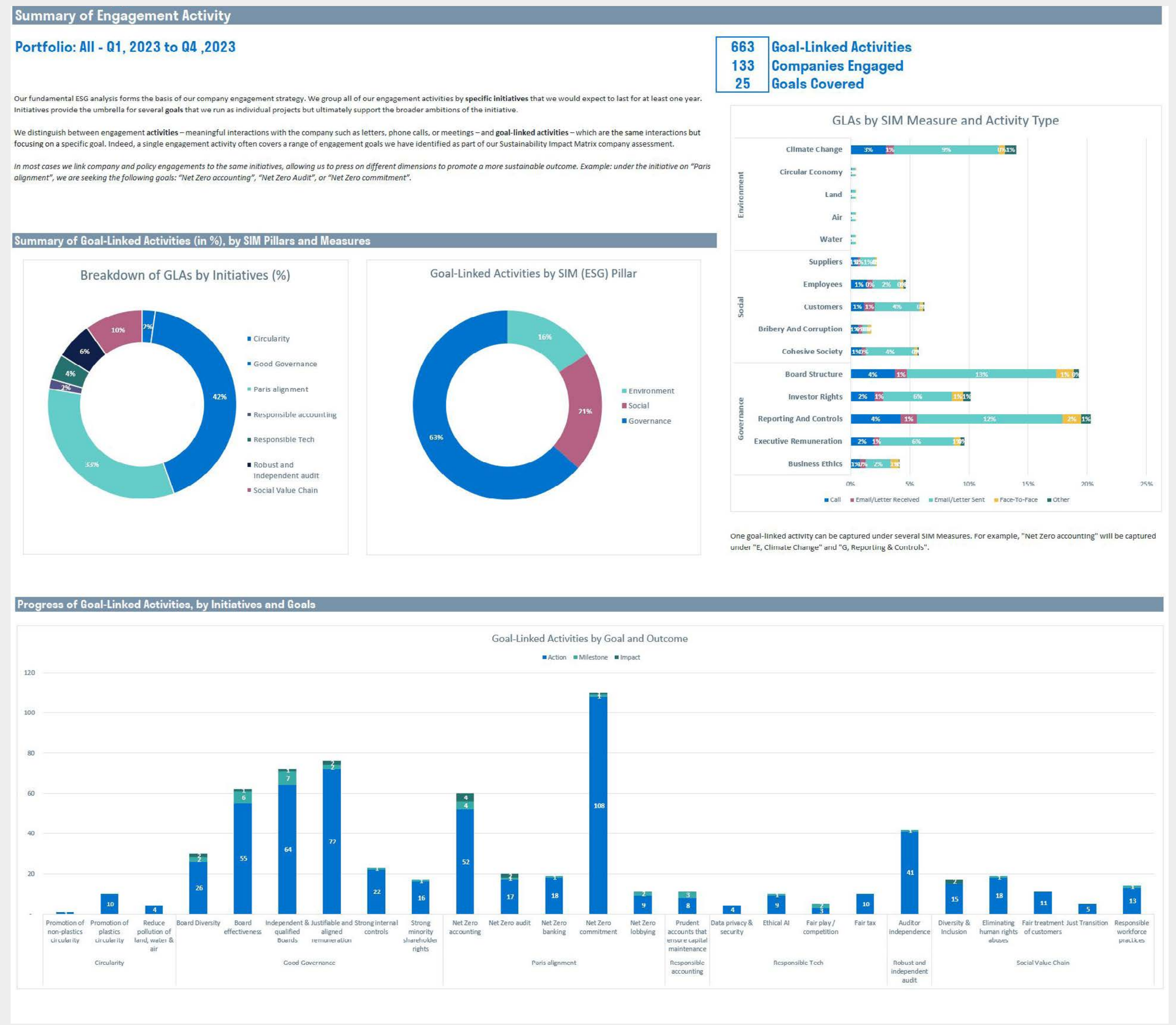
Ensuring greater transparency of our stewardship work and its impacts has been a long-standing priority for us.

In 2023 we completed the roll-out of our internal engagement tracker and engagement reporting tool. Through these, we track and analyse the scope and effectiveness of our engagement activities on our priority initiatives and goals. This enables us to ensure strong internal communication on the status of engagements within the asset management team, as well as provide detailed reporting to clients.

Illustrations of aggregate engagement statistics for the firm, as well as activity for specific strategies and funds, are shown overleaf. Alongside company-specific case studies that we share on a quarterly basis with clients, this provides a more comprehensive view of our engagement work. It demonstrates the breadth of our coverage and addresses concerns that we might be cherry-picking examples.

In 2024 we hope to further enhance the functionality of both tools.

EXAMPLE SCREENS OF OUR INTERNAL ENGAGEMENT TOOL AND TRACKER

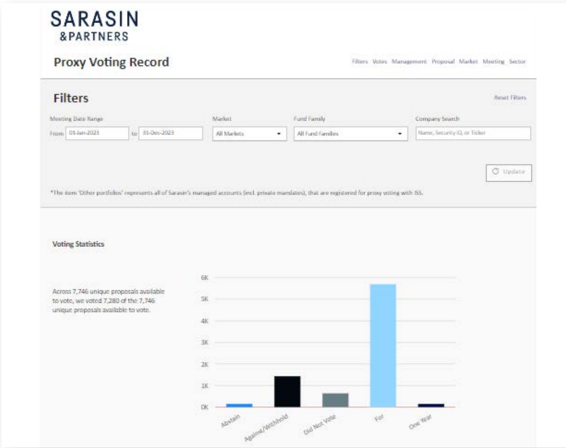


Source: Sarasin & Partners, 2023, more detail provided in **Principles 5, 9** and **10**.

Statistics produced using the engagement reporting tool are included throughout this report, particularly in **Principles 5, 9** and **10**.

Engagement reports for clients are produced by the stewardship team, in collaboration with the Client Affairs and Marketing teams.

We continued enhancing our voting reporting. In addition to the quarterly voting records published on our website, which include voting rationales, we have launched a proxy voting dashboard. This web-based tool gives real-time disclosure of all our voting activities over various time periods, organised by fund and entity level, as per the example shared here.



Our client portal, discussed in **Principle 6**, also integrates ESG and stewardship information, allowing clients to access the latest relevant profiles of their holdings.

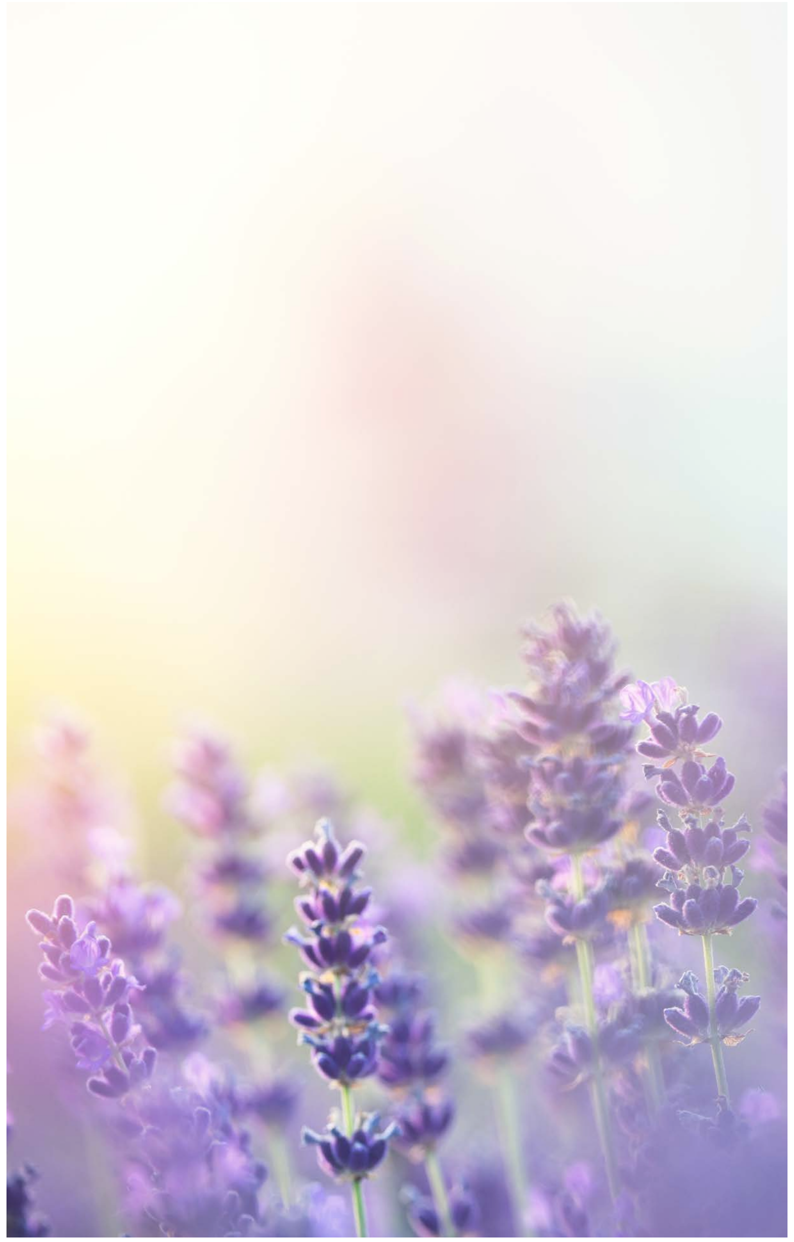
Beyond client reporting, we publish significant updates from our stewardship work on our website and through social media. Examples include where we pre-declare a vote for a company's annual general meeting (AGM), or publish a position paper on a topic of concern for which we wish to generate broader public support (see **Principles 4** and **12** for more detail on our market-wide outreach).

Finally, this annual Stewardship Report aims to provide our clients and other interested stakeholders a comprehensive overview of our stewardship approach, work and achievements.

PRINCIPLE 3

CONFLICTS OF INTEREST

Our procedure for managing conflicts is based on our public Summary Conflicts Policy, which is reviewed annually.



Sarasin & Partners seeks to act in the interests of all its clients when deploying capital, voting on behalf of clients and engaging with companies and policymakers.

Conflicts of interest do arise from time to time, such as when voting or engaging affects a client or member of staff. We aim to identify, record and manage any conflicts fully and fairly.

Our procedure for managing conflicts is based on our public Summary Conflicts Policy, which is reviewed annually (the latest review was in February 2024).

Conflict-mitigating measures include:

- A Conflicts Management Group (CMG)[1] with responsibility to assess the implied and actual conflicts that arise in the running of the business and ensure a fair, non-discriminatory and consistent conflict management process;
- Periodic employee conflict attestation and training;
- Formalised Corporate Governance and Voting Guidelines that ensure consistency in our approach to voting across investee companies on behalf of all clients who have delegated voting to Sarasin & Partners;
- 'Ethical walls', i.e. internal barriers between our client and investment teams; and
- A dedicated Stewardship team to ensure consistent application of our stewardship policies, thus acting as a control on any conflict of interest that may arise within client or investment teams.

Specifically, conflicts of interest that arise as part of the investment and stewardship activities are managed as follows:

CONFLICT IDENTIFICATION

We are alert to possible conflicts at all stages of our investment process, including stock selection, voting analysis, prior to and during engagements, as well as in any policy outreach we become involved with. Awareness is supported by annual mandatory training for staff on our Conflicts of Interest Policy.

INITIAL ASSESSMENT AND ESCALATION

Once a potential conflict is identified, the exposed person is required to report the conflict to the CMG immediately, with an initial assessment of the conflict and any proposed mitigating measures.

FORMAL ASSESSMENT AND LOGGING

The CMG, which includes representatives from senior management across the business, independently reviews the potential conflict and the adequacy of proposed mitigations. In the event that the proposed actions are deemed insufficient, the CMG will recommend further steps to ensure the conflict is adequately managed. The conflict and mitigations, once confirmed, are logged in the conflict register, and the CMG periodically reviews this. Minutes of the CMG meetings are shared with the Executive Committee.

[1] The Conflicts Management Group is drawn from heads of legal, compliance and risk functions, as well as representatives of business areas at Sarasin & Partners that may be affected by the various implications of potential business-related conflicts.

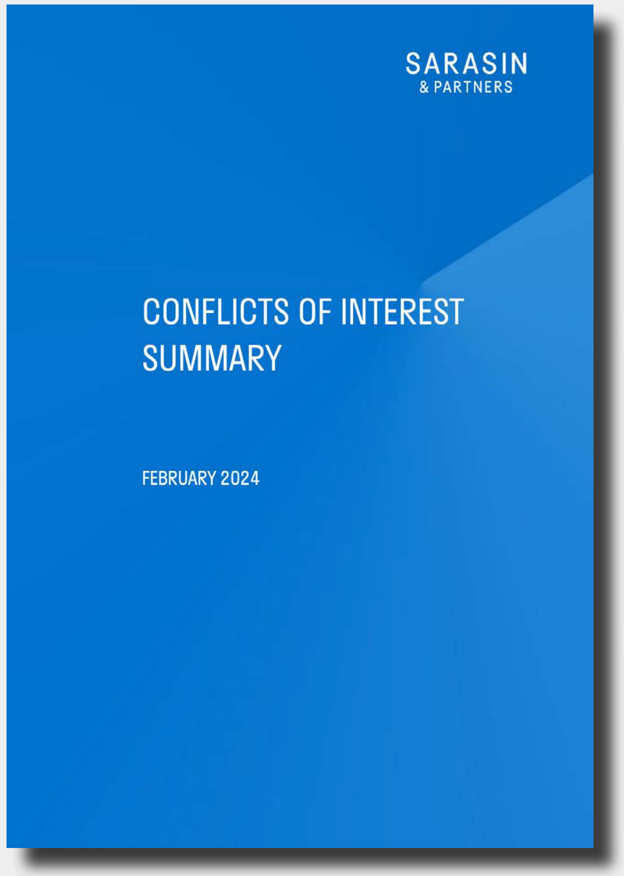
POTENTIAL CONFLICTS THAT ARISE IN OUR INVESTMENT AND STEWARDSHIP ACTIVITIES

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 & Partners. As we apply judgement in our voting and engagement activities (which permits us to override our Corporate Governance and Voting Guidelines to reflect particular circumstances), there is a risk that conflicts of interest could influence these activities.	Where a client (e.g. a 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 expectations (e.g. inadequate board independence), we may come under pressure to change this decision.	The primary mitigation tool is the awareness of such conflicts, fostered by our compliance team and education regarding the rules of conduct. Where this conflict arises, we will escalate the conflict to the CMG.
In a merger and acquisition (M&A) situation of companies held in our portfolios, 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).	In M&A situations we will always cast our votes in the best interest of respective client mandates. Where this conflict arises, we will escalate the conflict to the CMG with a proposal for mitigation rooted in fair treatment of clients.
Where our clients are unit holders in our funds or those of our parent, J. Safra Sarasin Group, 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. The clearest instance of conflicts arising is in situations where voting would happen on matters concerning fund fees.	This embedded conflict is already logged with the CMG. We manage this conflict by restricting our vote and seeking instructions from our clients (where we have voting responsibility) on matters that have a financial impact on the client, e.g. increasing fund fees.
We manage fixed income and equity funds. In certain circumstances the interests of equity holders will conflict with those of the bondholders.	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 would weaken the company's resilience to external shocks. Where equity holders may be in favour of the cash distribution, credit risk may rise. Conversely, if a company issues a bond that includes bondholder-friendly covenants such as dividend lock-ups, change of control puts or coupon step-ups, this would be to the detriment of equity holders.	Where this conflict arises, we will escalate the conflict to the CMG, with a proposal for mitigation that balances the interests fairly.
We manage ESG or stewardship-tilted strategies where investment decisions are influenced by our SIM ratings or other stewardship assessments. In certain circumstances, portfolio managers may exert pressure over the SIM / stewardship assessment process to influence their ability to hold / not hold desired securities.	Our Tomorrow's World strategy cannot hold securities that we have judged to cause any significant adverse impact to any of the environmental or social factors assessed through the SIM. This limits its investible universe. Analysts may come under pressure to change their SIM ratings to permit investment.	Where changes to SIM ratings are proposed that could impact the investible universe for affected strategies, the stewardship team will offer an independent view. Where necessary, we will escalate to the CMG.
Our staff or clients may have personal relationships with the companies we are engaging with, or voting on. As we apply judgement in our voting and engagement activities (which permits us to override our Corporate Governance and Voting Guidelines to reflect particular circumstances), there is a risk that conflicts of interest could influence these activities.	A fund manager may have an outside relationship (e.g. shared trusteeship of a charity) with board directors or executives for a company we hold.	Where this conflict arises, we will escalate the conflict to the CMG. Mitigation tools in place may include having another team member leading the engagement, and/or voting, to guarantee independence of judgement.
Our clients and 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 any influence is exerted, we will escalate the conflict to the CMG.
Our engagement, voting or policy work may be in conflict with our parent group, J. Safra Sarasin Group, if it 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.	Where this conflict arises, we will escalate the conflict to the CMG to guarantee independence of judgement.

In the year under review, Sarasin staff members have notified the CMG of 33 cases of potential conflict. In most cases, conflicts have arisen from staff members undertaking external interests outside of their roles at Sarasin & Partners. The CMG has assessed all cases and determined that none pose a material conflict. These have been added to the conflicts register.

None of the conflicts reported to the CMG related to stewardship in 2023.

This document is located on our website.



PRINCIPLE 4

PROMOTING WELL-FUNCTIONING MARKETS

Policy and market outreach is a core pillar of our stewardship approach. We believe it is vital to engage on broader policy failures or harmful market behaviour where this matters to our clients' interests.

Where we find market practices or policies that result in materially adverse impacts on the environment or particular stakeholder groups, and we believe we can contribute to positive change, we speak out. We do not seek to benefit from unsustainable activities that result in societal harm. We view this as short-termist and self-defeating.

Likewise, we encourage government policies or market practices that ensure corporate accountability for negative externalities. Take climate change as an example. Through our investment process, we:

- Aim to ensure detailed climate risk and opportunity analysis to protect clients' assets from expected transition and physical impacts;
- Seek evidence of efforts to drive decarbonisation; and
- Aim 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. Given the scale of the threat, this is unlikely to work over the longer term. Ultimately, we need system-wide solutions to protect assets from the harmful impacts of climate change.

This is where our policy outreach comes in. We focus on broader market dysfunctionality and seek to intervene in support of accelerated action to combat climate change. We work with others to help ensure we have an impact.

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

POLICY OUTREACH REQUIRES PRIORITISATION, TENACITY AND RESOURCING

We believe adverse impacts on society that emanate from corporate behaviour will ultimately harm our clients' interests. A core part of our job is doing what we can to prevent this.

We cannot act on everything, so we identify those issues that are most damaging and urgent, and also where we can realistically catalyse change.

As policy outreach can take years to come to fruition, we need to be tenacious and outcomes-focused. We should 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. At times, we pause on specific priorities due to a lack of opportunities to input into public debate or due to other competing demands, but we continue to monitor progress with a view to re-engaging as the opportunity arises.

All of this requires expertise and judgement, a range of skill sets and a rigorous analytical capability. As is the case with 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

In 2023 we have retained the six priorities from 2022, as summarised below:

- Paris-aligned accounting and audit to support the achievement of a 1.5˚C-world;
- Accounting reform to support long-term stewardship of capital, alongside reliable and transparent audits that support corporate accountability;
- Labour rights and human rights across the value chain to promote more productivity, which should lead to sustainable growth;
- A responsible approach to technology to tackle harmful social consequences from, for instance, the unethical use of AI, aggressive tax optimisation, misinformation or anti-competitive behaviour; and
- A circular economy to reduce negative externalities from excessive resource use and inadequate recycling, particularly relating to plastics.

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

Please see our 2023 case studies on the priority topics outlined above.

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.

WORKING WITH OTHERS TO DRIVE SUSTAINABILITY

A SELECTION OF EXTERNAL INITIATIVES WE LEAD AND SUPPORT

E — ENVIRONMENTAL
- Institutional Investors Group on Climate Change (IIGCC)
- Paris-aligned accounting and audit (We chair this initiative in coordination with the IIGCC)
- Net Zero Banking Standard (We co-chair this alongside EOS at Federated Hermes, with support from IIGCC)
- Net Zero Asset Managers Initiative (NZAM)
- Climate Action 100+ (We are a co-lead engager on Equinor and part of the engagement team for Rio Tinto and Air Liquide)
- Say on Climate initiative
- Ellen MacArthur Foundation Plastics initiative
- Plastic Solutions Investor Alliance

S — SOCIAL
- 30% Club
- Find It, Fix It, Prevent It – Modern Slavery Initiative
- Farm Animal Investment Risk & Return (FAIRR) – We engage on working conditions
- World Benchmarking Alliance's (WBA) Collective Impact Coalition (CIC) on Ethical Artificial Intelligence

G — GOVERNANCE
- International Corporate Governance Network
- UK Corporate Reporting and Auditing Group
- Advisory Group for International Audit and Assurance Standards Board and International Audit Ethics Standards Board

We provide more detail on our current priorities and support for collective policy initiatives over the following pages.

PARIS ALIGNMENT

CASE STUDY: NET-ZERO ACCOUNTING AND AUDIT

THE ISSUE

We outlined our work to promote Paris-aligned accounting and audit in our 2022 Stewardship Report. The issue we focus on remains unchanged: financial statements that leave out material climate impacts will tend to misinform executives and shareholders. This will likely result in misdirected capital and lower long-term earnings. For instance, some entities may outline ambitious carbon emission reduction targets and plans to phase out key assets by a specific date. The associated costs of delivering these targets should be considered in forward-looking accounting assumptions if the accounts are to provide a reliable basis for capital allocation and ensuring executive accountability.

Critically, leaving out climate considerations in financial statements also tends to exacerbate climate change as too much capital could flow into carbon-intensive activities.

THE GOAL

We aim to ensure that all companies reliant on carbon-intensive activities, or impacted by the physical consequences from climate change, provide visibility of how their financial position is expected to be impacted. This includes both exogenous impacts from changing market dynamics (e.g. imposition of a carbon tax or bans on particular activities) as well as endogenous impacts from the climate commitments the companies have made (e.g. costs of rolling out carbon capture and storage). Where a company does not perceive any impacts for the accounts, we seek disclosures in the notes to the accounts as to how this conclusion has been reached.

In addition, we seek disclosures in the notes to the accounts on how the entity's financial position could be impacted by a transition to a 1.5˚C-pathway.

With regard to auditors, we look for disclosures on how they have assessed the inclusion of material climate factors and expect them to call out where management accounts may be misstated.

WHAT WE DID

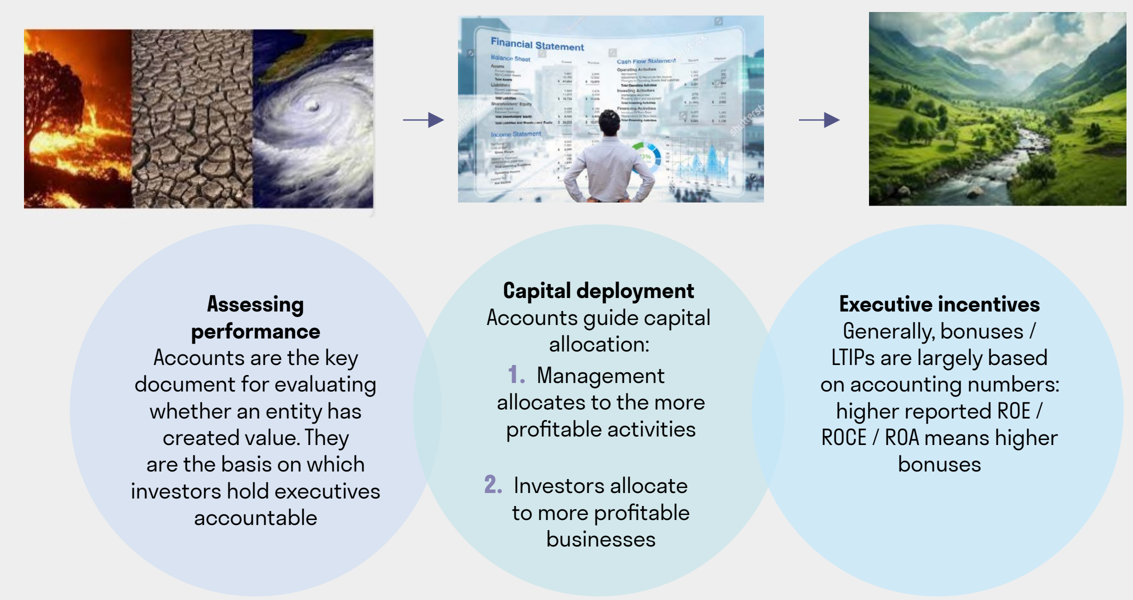
Our work promoting Paris-aligned accounting and audit started in 2018, with our report exposing the potential for misstatement in eight oil and gas companies' financial statements ('Are oil and gas companies overstating their position?'). Building on this work, Sarasin has led a growing coalition of investors globally, engaging with regulators, standard setters, auditors and companies. We have seen clear progress over the years in each of these areas (see outcomes discussed below).

In 2023 we continued to **co-chair the Climate Accounting and Audit workstream** through the IIGCC. Key activities included:

- Chairing investor training sessions for engagement leads, to help them respond to key questions;
- Helping coordinate a programme of engagements with 12 carbon-intensive companies in Europe across the energy, utilities, materials and transport sectors (Sarasin-led engagements and escalation steps are highlighted under **Principles 9-12**);
- Work with Carbon Tracker to enhance financial statement assessments, including light-touch reports to inform voting decisions;
- Ongoing dialogue with the large audit firms in the UK and France, calling for auditors to ensure greater challenge of management accounts and visibility for investors; and
- Interactions with the International Accounting Standards Board (IASB) and the UK's FRC to support enhanced guidance and supervisory scrutiny.

WHY FINANCIAL STATEMENTS ARE VITAL TO COMBATING CLIMATE CHANGE

Where accounts are miscalibrated, the system will malfunction



Alongside work with the IIGCC, we continued to support a parallel effort for US investors, coordinated by Ceres. We also led a viewpoint published by the International Corporate Governance Network in November.

A key extension of our focus in 2023 was to banks' accounting and capital adequacy, as part of our work as co-chair of the IIGCC Net Zero Banking Standard (see the case study on page 26). The goal is to mitigate risks that banks fail to properly track and manage climate risks building in their balance sheets. We published an opinion piece in Reuters Breaking Views in September to draw public attention to this issue.

OUTCOMES

Working alongside our peers, we have achieved various milestones and impacts over the years. The diagram on page 25 highlights achievements relating to the core stakeholder groups over the period of the project. Key achievements in 2023 included:

Investors

- Climate Action 100+ (CA100+) accounting and audit indicators rolled out in the Benchmark Assessment covering 140 companies. Analysis provided by Carbon Tracker and the PRI Climate Accounting Project.

Companies[1]

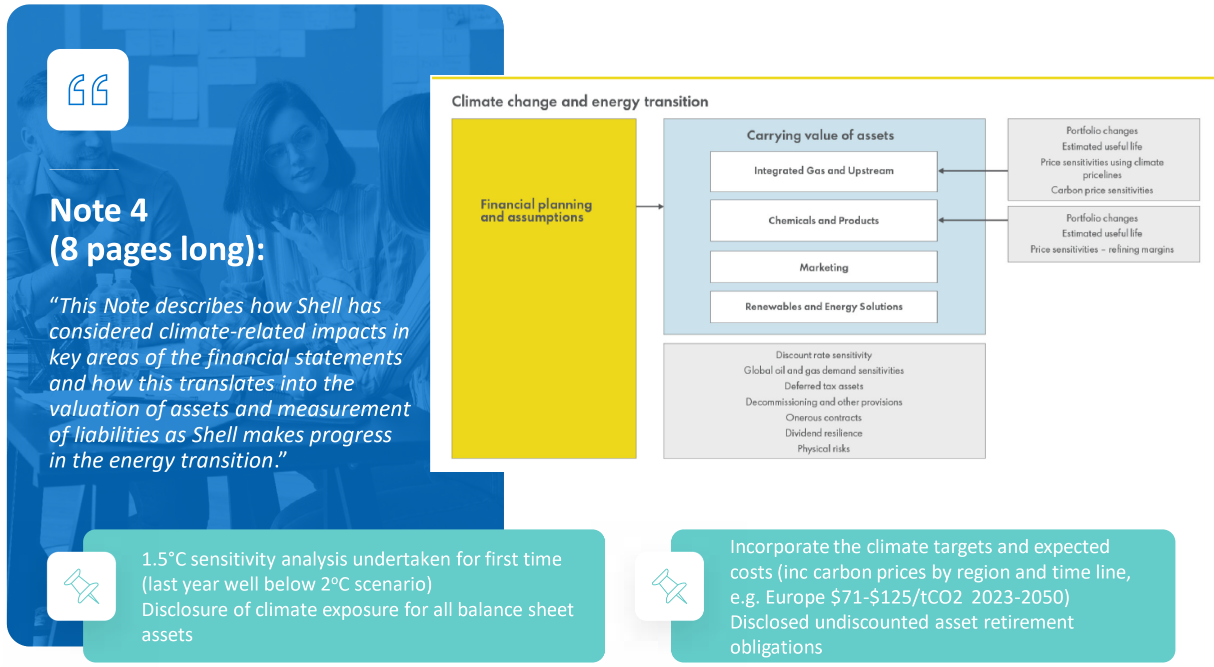
- Focus list of 12 European engagement priorities continued to demonstrate higher-quality climate-related disclosures in their financial statements versus the broader universe of CA100+ companies, assessed by Carbon Tracker. See chart on page 25.
- Shell's Audit Committee and auditor, EY, again referred to Sarasin & Partners' engagement in the 2022 annual report and accounts. Shell provided market-leading disclosures, including detailed 1.5°C sensitivity analysis, offering a model for others to follow,[2] see the summary below.

Auditors

- All Big Four UK audit firms continued to enhance their training on climate matters for audit partners, audit committees and CFOs in companies.

Shell – a model for others to follow

2022 Annual Report & Accounts (published March 2023)



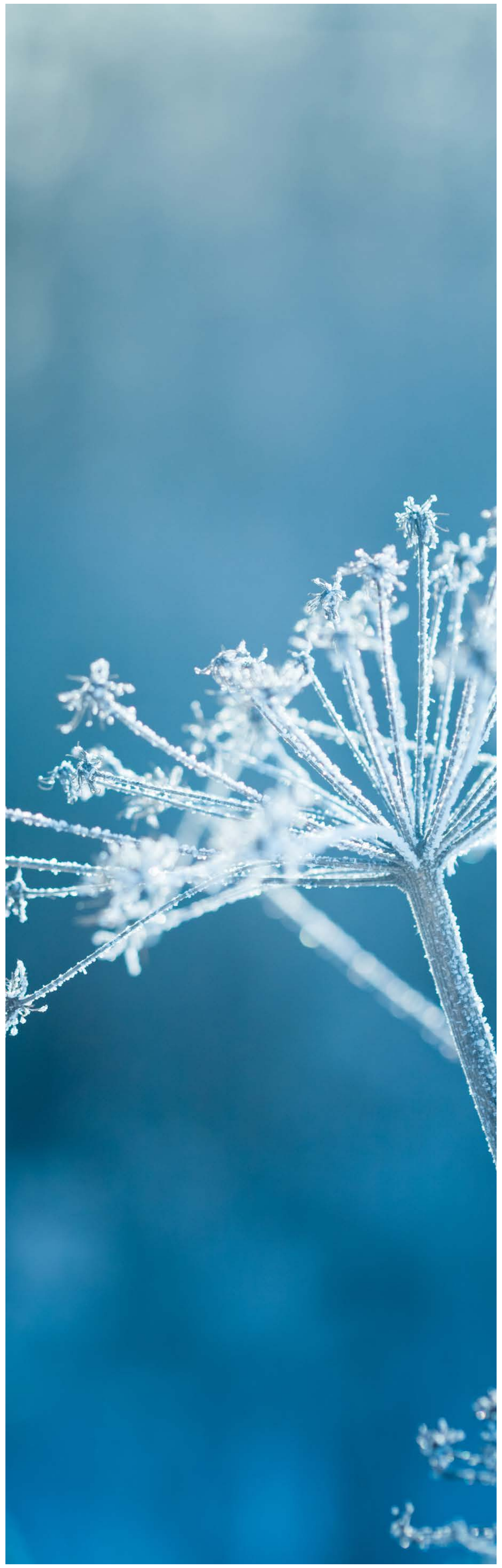
[1] Company-specific engagement outcomes associated with Sarasin-led engagements are covered in **Principles 9-12**. In this principle we focus on our support for a broader set of market engagements where we are not investors.

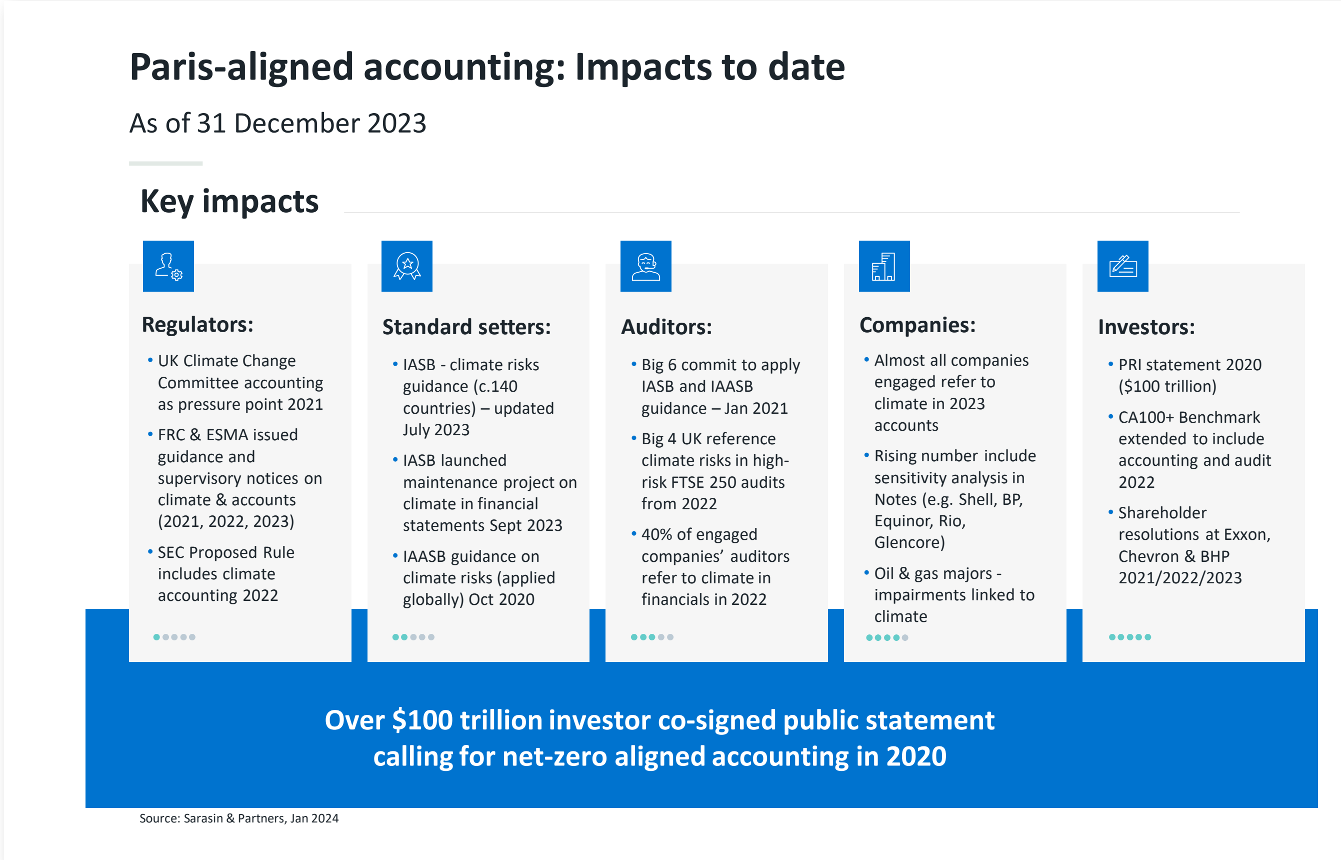
[2] We consider the Shell engagement under market outreach as Sarasin no longer holds a material position in the company. This engagement was conducted with a view to promoting best practice and generating a broader market ripple effect.

- UK audit firms have implemented more consistent and routine climate-related disclosures in auditor reports for FTSE 250 companies.
- In 2023, 75% of the audit reports at the 12 focus companies we engaged with, met at least some of the criteria on the inclusion of climate risk commentary. This compares to 20% for the full company universe of 140 assessed by Carbon Tracker.

Regulators / standard setters

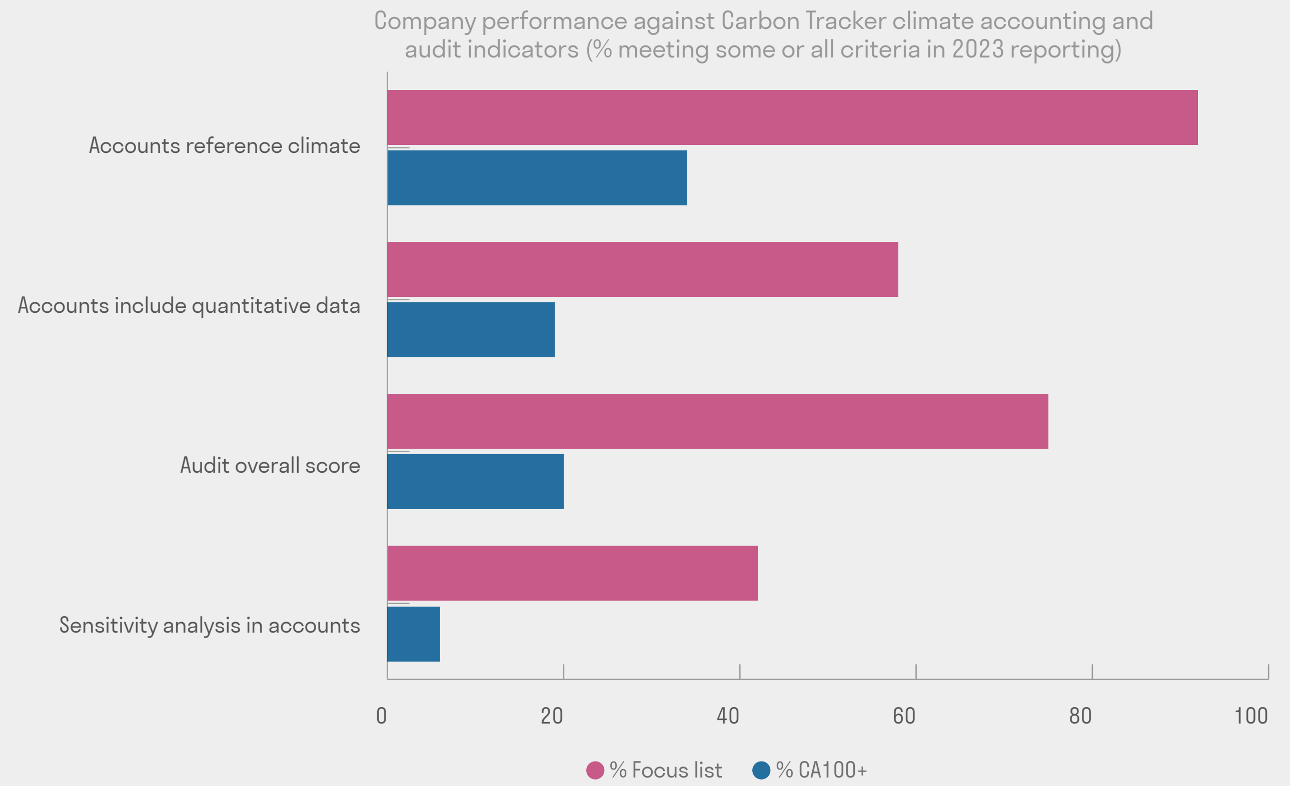
- The IASB updated its guidance on climate-related financial disclosures in July 2023, offering enhanced detail and examples of how climate factors should be considered under specific accounting standards.
- The IASB launched a project in September 2023 to explore whether additional explanatory material should accompany accounting standards to ensure climate-related considerations were being properly integrated into financial reporting.
- The European Securities and Markets Authority (ESMA) published a thematic review in October 2023, pointing to examples of best practice for climate disclosures in European company accountings. This supported its ongoing supervisory focus on climate disclosures.
- The UK's FRC reiterated its advice to audit committees and finance directors to consider material climate risks. This was part of a detailed thematic review covering climate reporting and accounting, published in July 2023.
- The FRC's CRH case summary published in September 2023 outlined its inquiry into the company's 2021 financial statements, specifically around the lack of disclosure as to how CRH considered its climate targets in its goodwill impairment assessment. The FRC investigation followed Sarasin's public statement from Spring 2022 outlining its concerns over a lack of clarity on climate factors in CRH's accounts. CRH increased disclosure in its 2022 financial statements (see our CRH case study in **Principle 12**).





FOCUS LIST COMPANIES OUTPERFORM IN CLIMATE-RELATED DISCLOSURES

2022 Financial statements and audit (published 2023)



Source: Sarasin analysis of the assessment by Carbon Tracker and IIGCC, September 2023

Note: Focus list includes 12 priority engagement targets under IIGCC Accounting and Audit working group.

CASE STUDY: NET-ZERO BANKING

THE ISSUE

Banks provide financing to facilitate trade, production and consumption. As such, they are pivotal to delivering a stable climate.

As investors, we expect banks to manage climate-related financial risks and opportunities for two reasons. First, they are important for effective capital allocation and system-wide financial stability. Second, a failure to manage climate risks directly threatens investor capital.

THE GOAL

Given the catalytic role that banks can play in supporting decarbonisation and increasing adaptation to climate change, we aim to help coalesce a united investor voice around shared investor encouragement for net-zero aligned banking, thereby supporting banks to act.

WHAT WE DID AND THE OUTCOMES

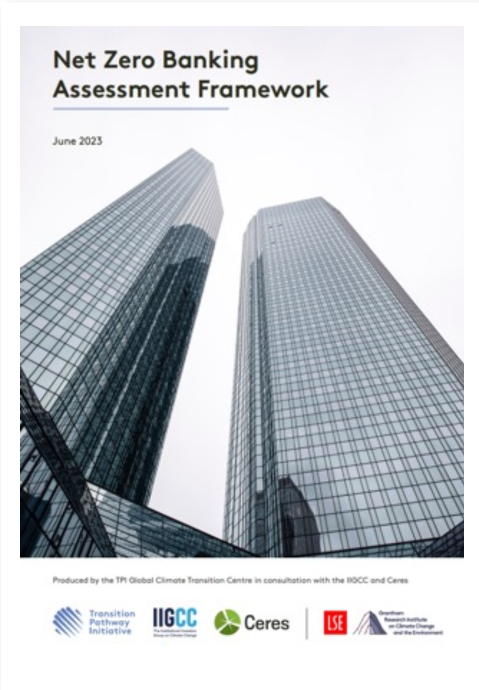
Sarasin & Partners has been at the forefront of efforts to develop a comprehensive and credible set of investor expectations for 1.5°C-aligned banking. In 2021 we became co-chairs of the Net Zero Bank Engagement Initiative, coordinated by IIGCC.

Following the launch of the Investor Expectations for Net Zero Banking that year, and extensive consultation with investors and banks, the initiative launched the first investor-led Net Zero Banking Standard in June 2023. This standard is built around four high-level expectations for banks:

1. A clear commitment to support the goal of net-zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5°C;
2. Science-based short- and medium-term targets supported by credible transition plans detailing how these targets will be met;
3. Strong climate governance that ensures board responsibility for delivery of the net-zero transition plan, effective internal controls and Paris-aligned lobbying of governments and other key stakeholders; and
4. Regular reporting on the delivery of climate commitments, following guidance by the TCFD, and climate-related financial reporting.

Working with the Transition Pathway Initiative, a detailed Assessment Framework was launched alongside the standard to enable regular assessment of bank performance to inform investor stewardship work. In 2023, assessments were published for 26 global banks.

Alongside this market-wide initiative, Sarasin & Partners has embedded a focus on banks within our Paris-alignment initiative. We led collective engagements with HSBC and supported collective engagements with JP Morgan and ING Bank.



CASE STUDY: NET-ZERO VOTING

THE ISSUE

According to our observations and research by civil society organisations such as ShareAction, Majority Action and InfluenceMap, investors at large are not using their core governance powers to hold boards and auditors accountable for action to mitigate and adapt to climate risks.

As we underscore throughout this report, voting is a key lever for communicating our support or concern to boards.

Over the years, our voting record demonstrates that Sarasin & Partners has used voting more actively than our peers. Across all routine items from director votes to auditor appointments and financial statement or remuneration approval, we typically vote against management more than other asset managers (please see **Principle 12**).

Unfortunately there is little evidence that asset managers consider company climate strategies in their voting, even in the most carbon-intensive entities, such as oil and gas companies, heavy industry, construction or aviation.

Worse still, asset managers that have publicly pledged to align with a 1.5°C-pathway, appear to be acquiescent when it comes to voting. For example: the 315 NZAM signatories representing $57 trillion in assets, have pledged to:

> "Implement a stewardship and engagement strategy, with a clear escalation and voting policy, that is consistent with our ambition for all assets under management to achieve net zero emissions by 2050 or sooner."

Yet, going by the AGM results of oil and gas companies not aligned with a 1.5°C-pathway according to the widely followed CA100+ benchmark, director support remains solid. We analysed the data of the seven companies where investors flagged potential director votes through the CA100+ network in 2023, and the median vote against was just 4%.

Instead of holding company leadership accountable, the majority of net-zero aligned investors appear to limit themselves to supporting climate-related shareholder resolutions, which are entity-specific asks put forward by shareholders. However, this approach is neither comprehensive (you are limited to voting at companies where these appear) nor typically binding.

THE GOAL

Our goal is to promote net-zero voting amongst asset managers and asset owners globally. We believe net-zero voting must apply first and foremost to all routine AGM votes at companies where climate change is most material – and particularly at the most carbon-intensive businesses given their role in exacerbating the climate crisis. This means considering a company's climate strategy, targets, governance and reporting when determining director appointments, auditor appointments, financial statement approval, remuneration policy and report approval.

Where shareholder resolutions on climate change are put forward, these also need to be carefully considered. Votes on shareholder resolutions should be viewed as complementary to routine votes, there to reinforce accountability, not undermine it.

WHAT WE DID

As outlined in last year's Stewardship Report, we published our Net Zero Voting Policy in 2022 as a stand-alone document. While we had introduced this policy in 2018, available within our broader voting policy, we believed it was time to shine a spotlight on the lack of net-zero-aligned voting in the industry.

In 2023 we continued to advocate for net-zero aligned voting through the following activities:

- Support for the IIGCC proxy adviser engagement workstream, which offered a platform for sharing experiences amongst peers with net-zero voting. It also enabled engagement with proxy advisers, encouraging them to do more in embedding climate considerations into their voting services;
- Speaking at investor webinars to share Sarasin's net-zero voting policy with peers;
- Outreach to ShareAction, the non-governmental organisation known for its efforts to scrutinise investment firms' voting activities, encouraging expansion of its flagship Voting Matters report to cover voting on routine AGM resolutions;
- Submissions to proxy adviser consultations, notably to ISS, to encourage integration of material climate factors into its benchmark policy alongside its specialist net-zero voting policy. Its benchmark policy drives the majority of its clients' voting ; and
- In partnership with the Local Authority Pension Fund Forum, CCLA and the Ethos Foundation, we called on companies to put their transition plans to a routine vote.

OUTCOMES

We continue to see relatively glacial progress in voting, though we noted potential signs of a shift in attitudes on the need to do more on routine voting towards the end of 2023, including:

- A rise in investor participation in the IIGCC proxy adviser workstream – with 15 new institutions joining during the year;
- ISS providing more visibility on an expanded list of climate data points it was intending to offer through its custom policies as demanded by clients;
- ShareAction including a new spotlight on director voting relating to CA100+ flagged votes in their 2023 Voting Matters report.

CIRCULAR ECONOMY

CASE STUDY: MARKET IMPACT – ADDRESSING THE PLASTICS CRISIS

THE ISSUE

The ubiquitous issue of plastic pollution necessitates a worldwide response. According to the OECD, plastic leakage to the environment will likely double to 44 million tonnes a year by 2060.

In 2022 the UN Environment Assembly (UNEA) adopted a historic resolution to develop a globally binding treaty on plastic pollution, with the aim of finalising the treaty by the end of 2024. A successful treaty can potentially have a significant influence on the environment and the economy.

However, key challenges include balancing various national interests and industry influence.

THE GOAL

We want to encourage industry support for the ambitious aims of the resolution.

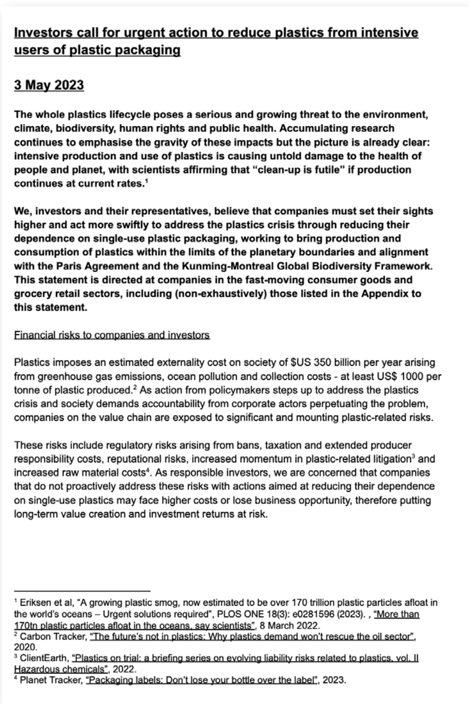
WHAT WE DID

In 2022, we supported the Investor Call for a Global Treaty on Plastic Pollution arranged by a US-based NGO As You Sow.

Building on this, in 2023 we co-signed another Investor Statement that we helped draft, coordinated by the Dutch Association of Investors for Sustainable Development (VBDO).

The main asks of investee companies are:

- **Support ambitious plastics policy for effective outcomes**
  We expect companies to support international efforts for an ambitious plastics treaty. By joining the Business Coalition for a Plastics Treaty, they can advocate for legally binding measures designed to reduce production and consumption and boost reuse. We also expect companies to:
  - Publicly support the ambition of the Packaging and Packaging Waste Regulation reform;
  - Refrain from lobbying to reduce this ambition; and
  - Ensure that industry associations where they are a member act in accordance with this position.
- **Commit to absolute reduction of single-use plastic packaging, including through implementing reuse systems**
  We expect companies to establish a clear plan of action to reduce material consumption in absolute terms, prioritising the elimination of the need for single-use packaging altogether. This includes upscaling reusable packaging systems, to be achieved by clearly defined timescales and subjected to external verification.
- **Address toxicity in value chains**
  We expect companies to commit to identifying and eliminating the use of hazardous substances in products and packaging and to publicly report their progress in doing so.



Investors call for urgent action to reduce plastics from intensive users of plastic packaging

3 May 2023

The whole plastics lifecycle poses a serious and growing threat to the environment, climate, biodiversity, human rights and public health. Accumulating research continues to emphasise the gravity of these impacts but the picture is already clear: intensive production and use of plastics is causing untold damage to the health of people and planet, with scientists affirming that "clean-up is futile" if production continues at current rates.[1]

We, investors and their representatives, believe that companies must set their sights higher and act more swiftly to address the plastics crisis through reducing their dependence on single-use plastic packaging, working to bring production and consumption of plastics within the limits of the planetary boundaries and alignment with the Paris Agreement and the Kunming-Montreal Global Biodiversity Framework. This statement is directed at companies in the fast-moving consumer goods and grocery retail sectors, including (non-exhaustively) those listed in the Appendix to this statement.

Financial risks to companies and investors

Plastics imposes an estimated externality cost on society of $US 350 billion per year arising from greenhouse gas emissions, ocean pollution and collection costs - at least US$ 1000 per tonne of plastic produced.[2] As action from policymakers steps up to address the plastics crisis and society demands accountability from corporate actors perpetuating the problem, companies on the value chain are exposed to significant and mounting plastic-related risks.

These risks include regulatory risks arising from bans, taxation and extended producer responsibility costs, reputational risks, increased momentum in plastic-related litigation[3] and increased raw material costs[4]. As responsible investors, we are concerned that companies that do not proactively address these risks with actions aimed at reducing their dependence on single-use plastics may face higher costs or lose business opportunity, therefore putting long-term value creation and investment returns at risk.

[1] Eriksen et al, "A growing plastic smog, now estimated to be over 170 trillion plastic particles afloat in the world's oceans – Urgent solutions required", PLOS ONE 18(3): e0281596 (2023). , "More than 170tn plastic particles afloat in the oceans, say scientists", 8 March 2022.
[2] Carbon Tracker, "The future's not in plastics: Why plastics demand won't rescue the oil sector", 2020.
[3] ClientEarth, "Plastics on trial: a briefing series on evolving liability risks related to plastics, vol. II Hazardous chemicals", 2022.
[4] Planet Tracker, "Packaging labels: Don't lose your bottle over the label", 2023.

OUTCOMES

This statement has clarified and summarised the expectations of investors at this critical juncture. We have fully incorporated the asks into our bilateral engagements with intensive users of plastics packaging. See the case study of Ahold in **Principle 9**.

NEXT STEPS

We will closely monitor the treaty's progress over the coming year, 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 continue our engagement with the most exposed companies on the steps we expect them to take to ensure their processes adopt a circular economy mindset.

HUMAN RIGHTS: MODERN SLAVERY

CASE STUDY: UK SEASONAL WORKERS SCHEME

THE ISSUE

As shareholders, we believe human capital management has a strong impact on business resilience, sustainability and longevity. It is therefore of direct consequence to our clients' capital.

We seek to support broader market-wide initiatives that ensure scrutiny to counteract such harmful practices. Modern slavery is amongst the most abusive forms of mistreatment and thus a particular focus for our work on labour and human rights. We continue to work with the 'Find It, Fix it, Prevent It' investor coalition, which we joined in 2020, to take action on concrete examples of modern slavery.

The International Labour Organization states that no recruitment fees or related costs should be charged to, or otherwise borne by, workers or jobseekers. Despite the UK government's commitment to tackling modern slavery, workers in the UK Seasonal Workers Scheme often have to borrow money at high interest rates or sign over assets and property to pay these fees and costs. This leaves the workers open to a high risk of debt bondage, one of the key indicators of forced labour. Particular concerns have been raised that migrants from Nepal and Indonesia have been left thousands of pounds in debt after being sent home weeks after arriving.

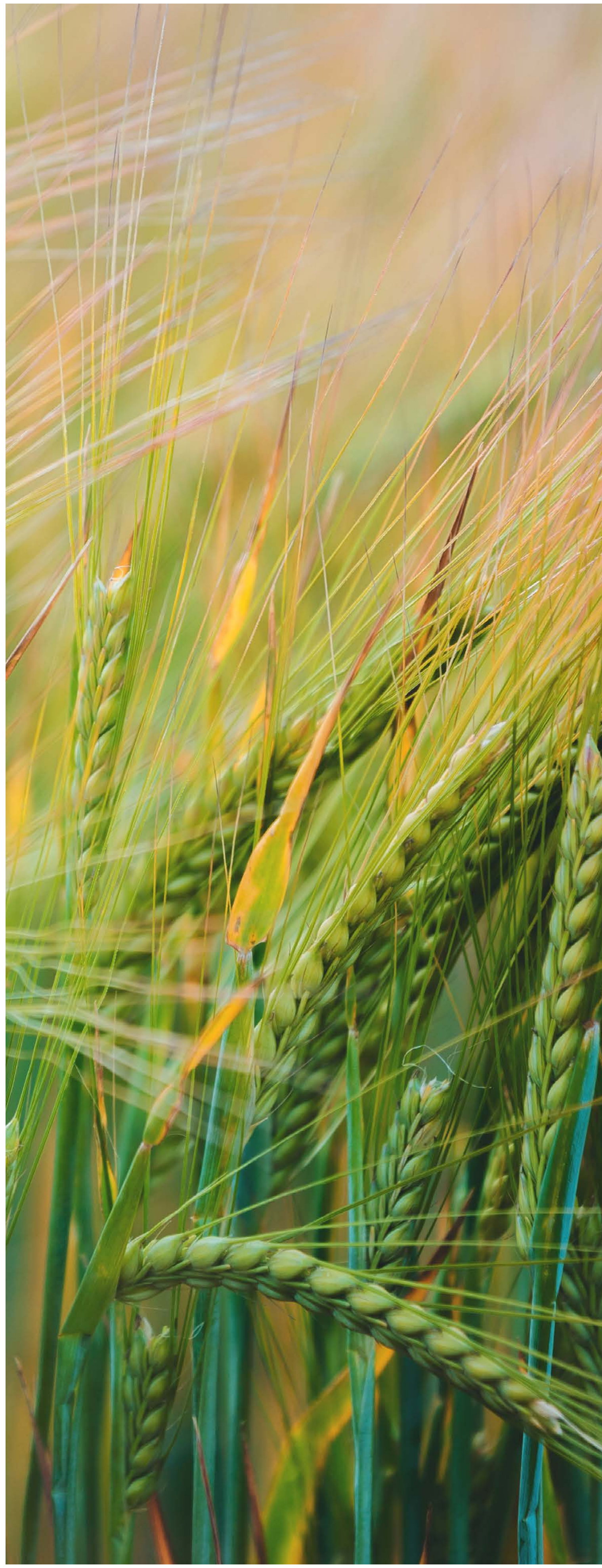
THE GOAL

We believe forced labour in any sector or workplace is unacceptable and strong efforts should be taken by companies and regulators to ensure these risks are addressed. Companies should act swiftly to ensure that vulnerable migrant workers within their operations and supply chains are protected from exploitation. Regulators should ensure targeted enforcement and remediation of any weaknesses in the scheme that allow for exploitation.

WHAT WE DID

To date, we have worked predominantly with UK-listed companies in the food and hospitality sectors, and more recently in the housebuilding and construction sectors. In 2022 we joined a targeted initiative to tackle abusive behaviour in the UK's agriculture sector around the UK government's seasonal workers scheme.

In 2023 our focus shifted to policy outreach. While we were pleased to see the government introduce new measures and publish an independent review of labour shortages, we remained concerned about continued issues with worker exploitation.



We therefore contributed to, and co-signed, a letter to the Secretary of State for Environment, Food and Rural Affairs, urging him to implement the recommendations from the review. These included further government action regarding:

- The application of the employer pays principle;
- The development of bilateral agreements with source countries to improve worker recruitment and treatment;
- The implementation of a more robust enforcement system; and
- Improved data collection and transparency of the workforce value chain.

OUTCOMES

The investor group received a constructive response from the Minister for Food, Farming and Fisheries. It offered high-level assurances on the visa scheme's priorities. This included that migrant workers should not be subject to poor conditions or exploitation, or charged recruitment fees. The letter also extended an invitation for a meeting.

NEXT STEPS

We will report to our stakeholders following our meeting with the Minister in early 2024, while continuing to press for further policy action.

RESPONSIBLE TECH

Societal concerns around the role of technology are highlighted in academic research and by civil society organisations, as well as regulatory bodies. While the regulatory space is evolving, many believe governments have been slow to respond. We aim to play a role in pressing companies for greater accountability and, where relevant, helping to shape public policy and industry standards.

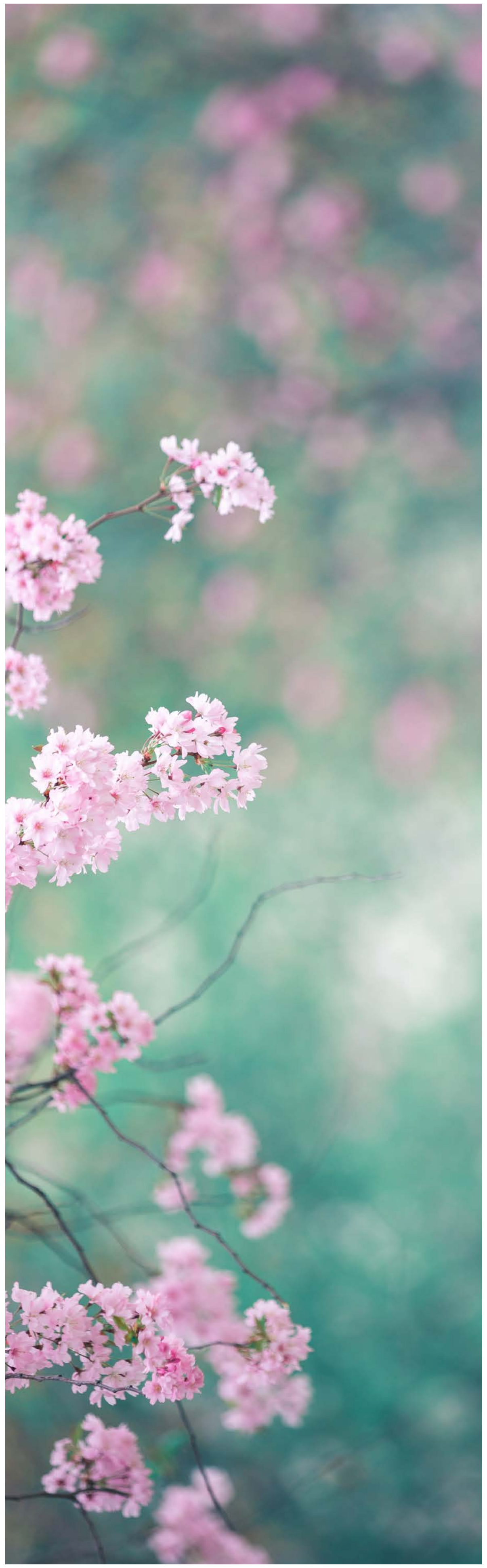
CASE STUDY: MARKET OUTREACH ON ETHICAL AI

THE ISSUE

We believe engagement to promote responsible behaviour at technology companies is essential, given the increasing role these companies play in consumers' lives. Moreover, the role of technology extends well beyond designated tech companies to affect companies in all sectors today. In addition, as investors, our exposure to tech companies is inevitably growing as the industry's weight rises in market indices, which means we have both a reason and responsibility to press for responsible behaviour.

Ethical AI is a theme we focus on as part of our Responsible Tech priority. Amidst the exponential capacity growth and penetration rates of AI technologies (see our case study on this in **Principle 1**), we are looking into whether this transformation is happening in a safe way and with people's rights properly observed.

Unfortunately, we do not believe this to be the case. We have seen situations of AI (a) being used for what some term 'Orwellian' facial recognition; (b) publishing content that violates intellectual property rights of scientists, writers, actors and artists; (c) using the identity of public figures in unauthorised ways for spreading disinformation and other forms of deepfakes; (d) delivering false decisions resulting from data bias; and (e) violating data privacy.



Until comprehensive government regulation is introduced, self-regulation by companies is going to be vital for managing AI risks. Investors have a critical role to play to hold companies and their boards to account for wrongdoings.

THE GOAL

Our goal is to promote an ethical approach to AI. At this stage, we have identified the following priorities:

- Establishing a framework for risk categorisation and management, e.g. drawing on the EU AI Act or the UK Government AI Summit discussion paper Capabilities and Risks from Frontier AI, distinguishing between developers of AI platforms and their users;
- Developing investor expectations for ethical AI best practice, e.g. building on proposals for controls made for the AI Safety Summit; and
- Establishing investor expectations for effective AI governance systems that can address the challenges and how they should be tailored for specific use cases.

As we develop key assessment tools, we will be in a stronger position to escalate our engagements and develop voting policies.

WHAT WE DID

In spring 2022 we joined the World Benchmarking Alliance (WBA) Collective Impact Coalition (CIC) on Ethical AI. At the end of 2023 it represented $7 trillion of assets under management, according to WBA.

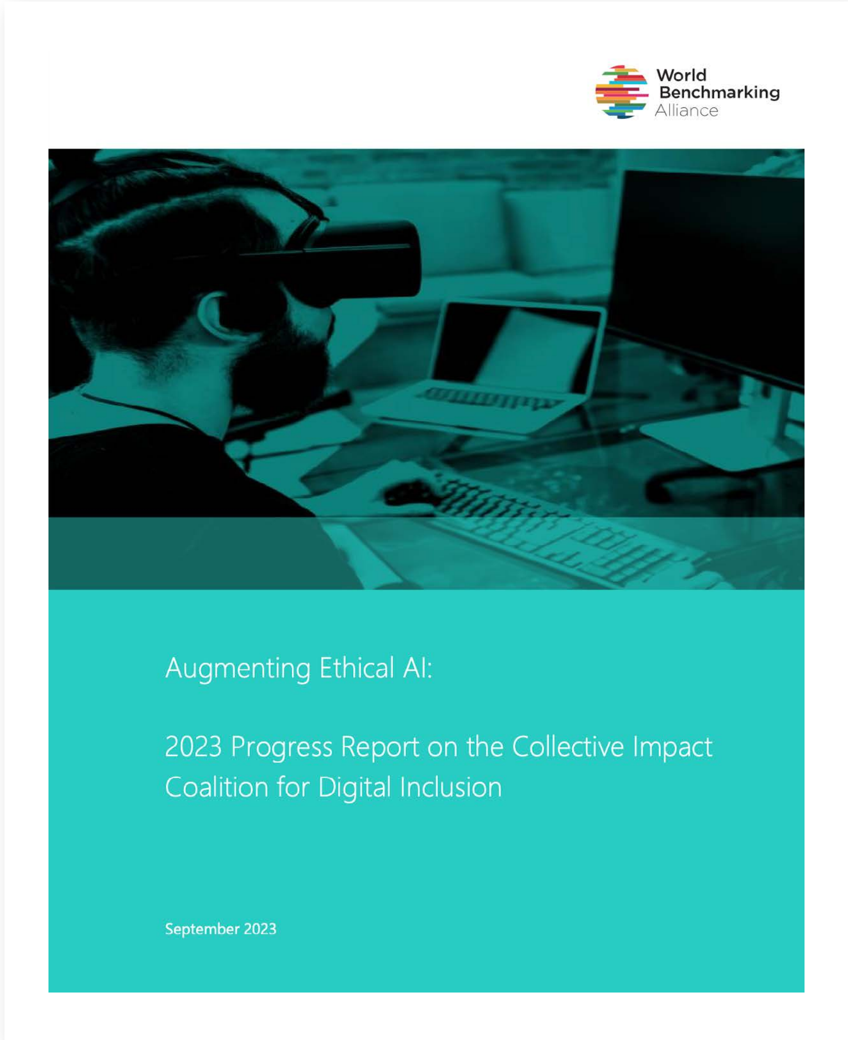
In this capacity, we have engaged with three companies, encouraging them to make public commitments to ethical AI principles. (Please see our case study on Amazon in **Principle 10**). The WBA CIC on ethical AI published its 2023 Progress Report, where it summarised its work over the year since September 2022. It explained its new ethical AI indicator that is to become part of the Digital Inclusion Benchmark and better inform investors' activities.

We were also involved in the update of the WBA Investor Statement on Ethical AI published in 2022. The updated investor expectations included, in addition to the adoption and publication of ethical AI principles and policies, disclosure of the tools they use to operationalise those.

In 2023 we hosted a seminar on ethical AI for investors and academics to discuss recent research, technological, regulatory and corporate developments. We organised the seminar with WBA shortly after the first Global AI Safety Summit, providing an opportunity to discuss the outcomes from the summit.

The first part of the discussion was led by Howard Covington, an Honorary Fellow of the Alan Turing Institute and its founding chair. The key topics covered included:

- The recent assessment of AI safety policies by six biggest frontier AI developers, performed by a group of academics led by Seán Ó hÉigeartaigh upon a request of the UK government. It compared the policies of OpenAI, Anthropic, Google DeepMind, Meta, Amazon and Microsoft against the best practices recommended in a research paper; and



- The need for specific focus areas and investor stewardship asks on ethical AI in applications of AI, based on the recent research paper by Dr Maurice Chiodo.

Following this was an investor roundtable involving industry leaders from top investment managers and asset owner organisations. It discussed the need for tailored engagement strategies, along the following lines:

- Investors can separate the AI ecosystem into companies that make the models, companies that use them and companies affected by them;
- Investors can review specific use cases / business models and develop a matrix of risks and tools to address them;
- They can identify specific best practice tools and governance structures in these various use cases, such as guardrails on data sources, marking AI-generated content, redteaming (trying to make the system produce undesired outcomes), human rights impact assessments (HRIAs) and data audits;
- Among escalation techniques, investors could use collective engagements that can be more effective than individual ones;
- Shareholder resolutions are another escalation option; they have been used at Microsoft and Alphabet during 2023. Support can still be limited by dual share structures and too prescriptive or too broad wording of shareholder proposals; and
- Voting against directors to keep boards accountable for AI ethics failures can be more effective. It can be done in a similar way to how we at Sarasin & Partners apply our Net Zero Voting Policy to vote against heads of relevant board committees where we have climate-related concerns.

OUTCOMES

We are still in the early stages of our ethical AI work. We believe our market outreach in 2023 has started to catalyse broader investor understanding of the issues at stake and the need for a more unified engagement effort.

NEXT STEPS

Looking to 2024, we hope to support the WBA to update its Investor Statement on Ethical AI and to support broader industry awareness of investor expectations.

LOOKING FORWARD

We continually monitor scientific understanding, regulatory developments, civil society scrutiny and client concerns to help ensure we are targeting our policy outreach efforts appropriately. Under most of the initiatives above, we point to our next steps which are informed by the progress achieved to date and our ongoing commitment to the overriding goal. These may evolve over the course of the coming months, but each of these initiatives are expected to be a multi-year programme.

PRINCIPLE 5

REVIEW AND ASSURANCE

Ensuring that we deliver on our stewardship commitments to clients is vital. If we don't – beyond letting our clients down – we put the long-term success of our business at risk. At a time of rising concerns over greenwashing linked to ESG and stewardship claims, it is increasingly important to report transparently on our stewardship work and its outcomes.

In this section, we outline:

- How we review and assure our stewardship policies, processes and external reporting;
- The tools we are developing to assess and report on the effectiveness of our stewardship work; and
- Third-party reviews of different aspects of our stewardship work published in 2023.

REVIEWING OUR POLICIES, PROCESSES AND REPORTING

Our Stewardship Steering Committee (SSC) regularly reviews our stewardship policies and processes, in addition to assessing their effectiveness, as discussed in **Principle 2**. Recommendations are made to the Asset Management Committee.

In 2023 the SSC fulfilled its routine duties to:

- Approve our updated stewardship policies;
- Review performance for 2022 and approve 2023 priority initiatives;
- Review of performance during 2023; and
- Approve the 2022 Stewardship Report.

Our risk department routinely reviews our portfolio across a range of risk metrics, including the ESG characteristics and adherence to ESG restrictions associated with particular strategies.

Internal auditors, who report directly to our board, periodically review our asset management activity. This independent review is a key part of the firm's control system to ensure we maintain rigorous standards and helps to identify any issues that would require action.

The first internal audit of our ESG and stewardship processes was undertaken in late 2022 and made recommendations for the enhancement of our controls framework. Following these recommendations, we developed additional internal process documents in 2023 to ensure the procedures and controls are adequate for the scope of our commitments.

We also obtained an annual independent audit opinion from Deloitte LLP. This assures that our proxy voting activities are based on the standards of the Institute of Chartered Accountants in England and Wales' AAF 01/06 guidance.

Client feedback. We are accountable to our clients. Alongside our public policies, we provide our clients with regular ESG and stewardship reports relating to their holdings. We also routinely seek feedback from our clients as to our performance and areas for improvement. This feedback is reviewed and appropriate actions taken. Further details are provided under **Principle 6**.

Assurance of this report. The SSC reviews our annual stewardship report to ensure that it is fair, balanced and understandable. The report is further reviewed and formally approved by the Executive Committee and the board and signed by the Managing Partner and the Head of Stewardship.

We have not yet carried out an independent third-party assurance of this report.

In the following sections we discuss our efforts to measure our effectiveness and third-party assessments of the quality of our stewardship work.

MEASURING HOW EFFECTIVE WE ARE

ENGAGEMENT OUTCOME TRACKING

We have an internal data management system (our engagement tracker – see **Principle 2**) for recording all our engagement activities. One of its key features is functionality that permits us to record 'outcomes' associated with our engagements at three levels.

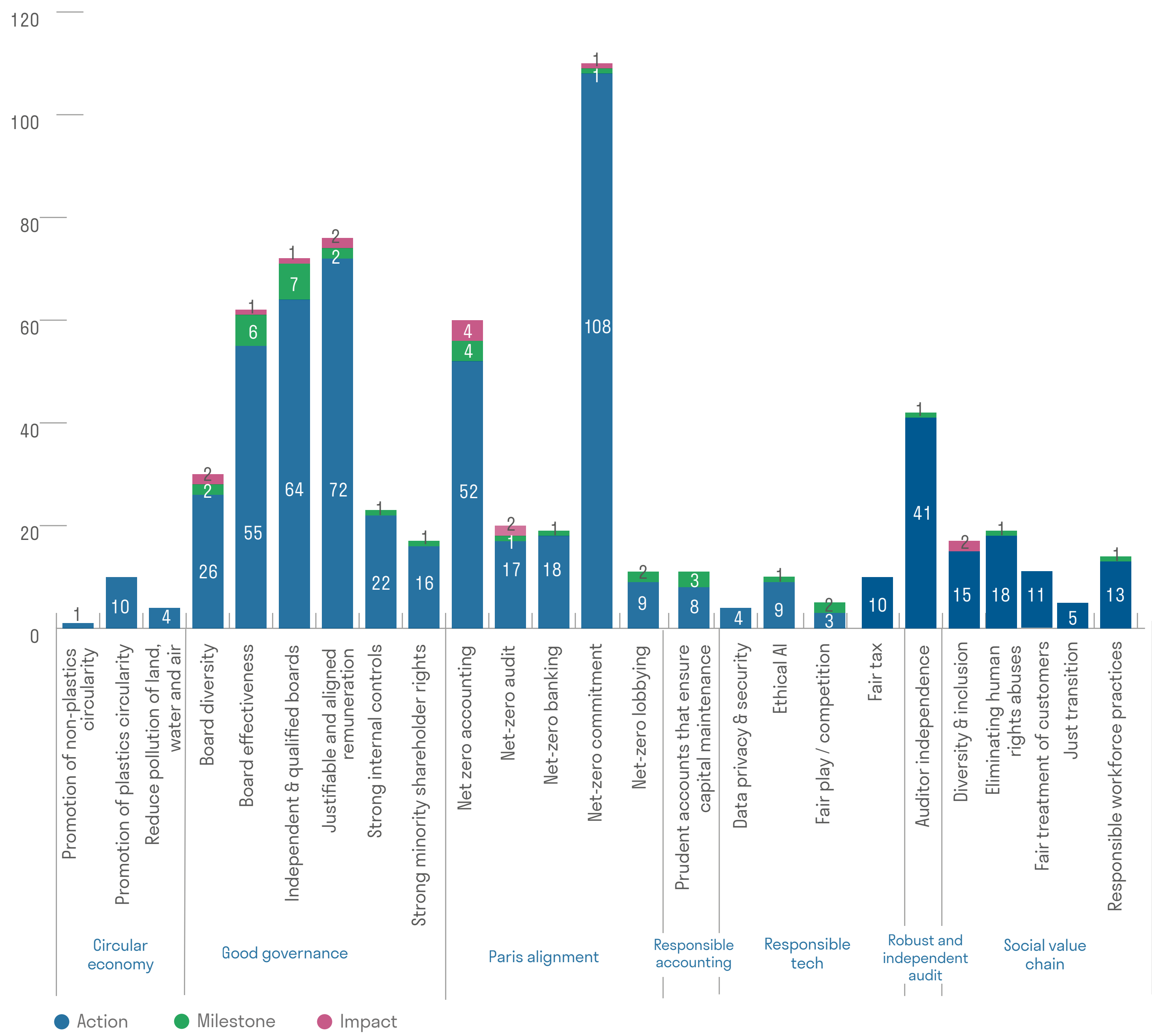
Outcome	Progress that results from our engagement activities as we move towards achieving our engagement goals.
Milestone	An outcome of engagement that signals moderate progress towards achieving the goal, e.g. management acknowledged our concerns and has a plan to address them, or took certain steps towards achieving the goal.
Impact	An outcome of engagement that signals sufficient progress to permit us to say that we have demonstrably moved towards achieving the goal, e.g. a public announcement or strategic move.
Goal achieved	An outcome of engagement where the original goal is achieved. In this case, we may either close the engagement or allow some additional time for monitoring before completion.

Our engagement tracker enables portfolio and firm-wide client and regulatory reporting, as well as communication on engagement progress and achievements. In addition, it enhances the effectiveness of our stewardship work by providing a centralised and accessible system to support:

- Voting decisions, ensuring alignment with any ongoing engagement;
- ESG assessments, ensuring they reflect insights from ongoing engagements; and
- Investment decisions, ensuring they consider ongoing engagements.

Critically, it means that supporting documentation, such as letters sent and received, is available to evidence the reported progress.

OUTCOMES OF ENGAGEMENT ACTIVITIES (NUMBER OF GLAs*)



*Note: a goal-linked activity (GLA) is any type of engagement interaction with a company on a single goal. In cases where we have an interaction with a company covering more than one goal, this will be recorded as >1 GLA.

For specific examples of the impacts of our company engagements covering equities and fixed income, see **Principle 9**. For the impact of our market outreach activities, see **Principle 4**. For recent performance data, please contact our Client Affairs team.

REVIEW AND ASSURANCE | PRINCIPLE 05

PERFORMANCE ATTRIBUTION

In addition to tracking the real-world outcomes of our engagement work described previously, an important measure of our stewardship effectiveness is our long-term risk-adjusted investment performance.

To assess the effectiveness of our ESG integration work, we undertake attribution analysis of the ESG factors that lead to improvement or deterioration in financial performance.

In what follows, we outline analysis we have produced for our equity and fixed income holdings. There are numerous statistical challenges with any such analysis, such as the implications of limited data, sector impacts, short time periods and the difficulties in distinguishing between correlation and causation. Consequently, this analysis should be considered provisional.

EQUITIES

Keeping in mind the qualification above regarding statistical challenges, we have used three methods to help quantify the value added by our ESG and stewardship work.

Performance of A versus D ESG-rated stocks

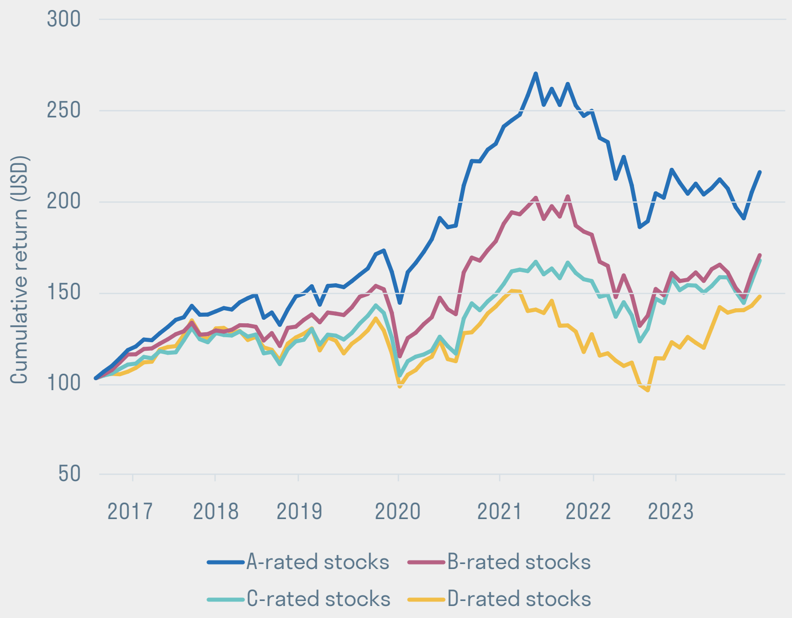
This analysis has been performed for our internal global and UK equity buy lists since 2017. It compares the performance of market-cap weighted portfolios containing the A, B, C and D stocks based on their Sarasin ESG rating at the beginning of each month.

The analysis shows that the A-rated portfolio has significantly outperformed the D-rated portfolio over the period assessed.

As shown in the tables overleaf, the A-rated portfolio also has the highest annual return, lowest volatility and highest Sharpe ratio over the period. This is consistent with our analysis in previous years.

PERFORMANCE OF BEST AND WORST ESG-RATED STOCKS

PERFORMANCE OF MARKET-CAP WEIGHTED PORTFOLIOS, MONTHLY REBALANCING



Source: Bloomberg, Sarasin & Partners, data as of 29.12.2023. **Returns are USD gross of all costs.** Each basket is computed based on historical Sarasin ESG ratings and buy-list membership and does not track the actual return of any portfolio or fund. Each rating basket is weighted by market cap and rebalanced at month-end. **Past performance is not a reliable indicator of future results and may not be repeated.**

PERFORMANCE SUMMARY

Portfolio	Ann. Return %	Ann. Vol %	Sharpe	Max. Drawdown %	Max. Drawdown recovery (months)	Max. Drawdown date	Beta to MSCI ACWI
A-rated stocks	12.15	15.93	0.76	31.53	N/A	2022-09-30	0.91
B-rated stocks	9.06	18.07	0.50	35.58	N/A	2022-09-30	1.05
C-rated stocks	8.77	17.93	0.49	27.49	9	2020-03-31	1.03
D-rated stocks	7.20	19.43	0.37	36.91	N/A	2022-10-31	0.94
Buy list	7.79	16.52	0.47	31.51	N/A	2022-09-30	0.97
MSCI ACWI	10.16	16.15	0.63	24.96	N/A	2022-09-30	1.00

Source: Bloomberg, Sarasin & Partners, data as of 29.12.2023. **Returns are in USD, gross of all costs.** Each basket is computed based on historical Sarasin ESG ratings and buy-list membership and does not track the actual return of any portfolio or fund. Each rating basket is weighted by market cap and rebalanced at month-end.
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DRAWDOWN ANALYSIS

Start	End	Duration (months)	MSCI ACWI %	A-rated stocks %	B-rated stocks %	C-rated stocks %	D-rated stocks %	Buy list %
2021-12-31	2023-12-29	24	24.96	31.53	35.58	26.68	36.91	31.51
2018-01-31	2019-10-31	21	15.78	11.33	9.79	15.60	16.73	10.51
2019-12-31	2020-08-31	8	21.26	16.85	25.67	27.49	28.12	24.60
2020-08-31	2020-11-30	3	5.51	2.69	10.29	18.89	17.65	10.71
2020-12-31	2021-02-26	2	0.45	0.08	0.99	2.66	5.70	0.86
2021-08-31	2021-10-29	2	4.08	6.40	5.82	4.19	8.18	5.24
2021-10-29	2021-12-31	2	2.38	6.45	5.17	5.48	12.91	5.08

Source: Bloomberg, Sarasin & Partners, data as of 29.12.2023. **Returns are in USD, gross of all costs.** Each basket is computed based on historical Sarasin ESG ratings and buy-list membership and does not track the actual return of any portfolio or fund. Each rating basket is weighted by market cap and rebalanced at month-end.
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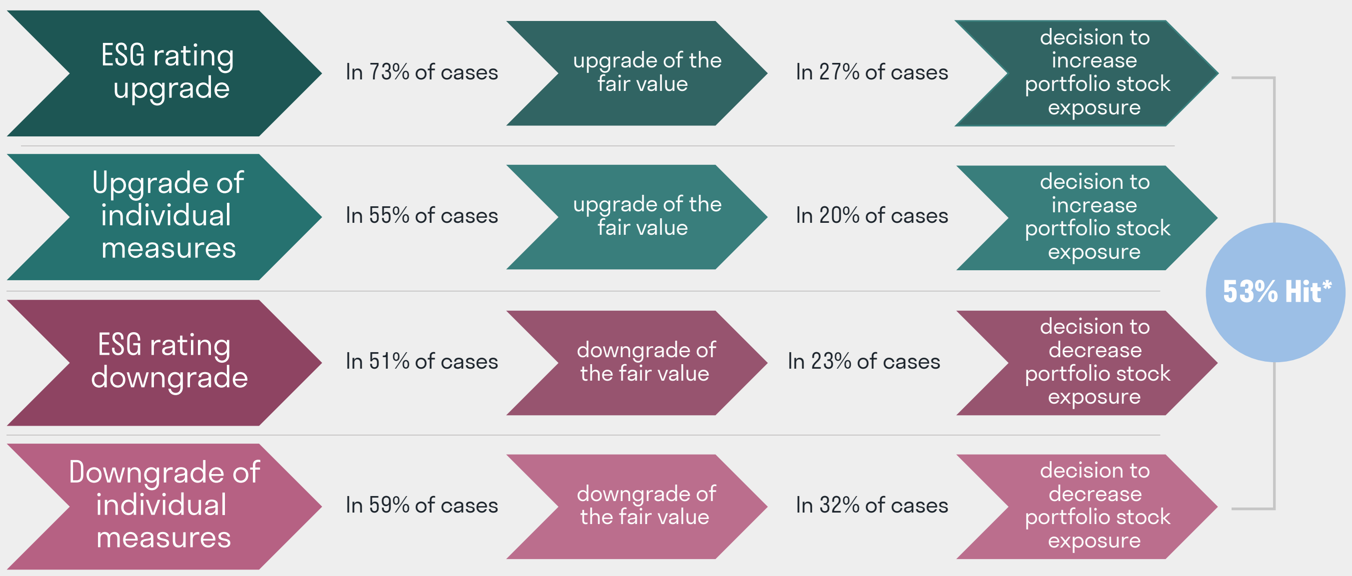
Value added from ESG ratings changes

This is another methodology we use to examine whether changes to our ESG ratings, which are often linked to our engagement efforts:

- Were impactful in our calculation of fair value;
- Resulted in decisions to buy or sell stocks (see **Principle 7** for a description of how ESG is embedded in our investment decision-making); or
- Impacted the performance of these stocks in our five core equity strategies.

Through a number of analytical iterations, which include selecting the portfolio decisions that could confidently be attributed to ESG upgrades or downgrades, we have arrived at the statistics shown in the graphic below.

INVESTMENT IMPACTS



* 'Hit' represents a situation when the decision was to add/buy owing to the ESG rating upgrade, and the subsequent relative return over three months was positive; or when we decided to trim/sell following the ESG rating downgrade, and the subsequent relative return over three months was negative. **Past performance is not a reliable indicator of future results and may not be repeated.** Also note that these are short-term periods, which do not necessarily correspond to the risk time horizon we had in mind when making the ESG rating change. We aim to continue this analysis for longer periods and share the results with our clients. Also note that ESG is usually not the sole reason for a decision on fair value or stock exposure.

We have extended this analysis to cover the three years from 2021 to 2023. The results for 2021 and 2023 are consistent in demonstrating that when changes in fair value and portfolio actions are triggered by ESG factors (often among others), they are followed by the stock performance that is aligned with our expectations.

However, the 2022 results were less convincing. Market circumstances in 2022, which included the war in Ukraine, the energy crisis in Europe and a global spike in inflation, have caused many more downgrades than upgrades in the fair value of stocks in our portfolio. Consequently, while the ESG score changes were made as regularly as before, the link between those and fair value changes has become less strong. Due to market challenges, in some cases we downgraded the fair value of a stock even when its ESG score or SIM measure had been upgraded.

As a result, we view the standalone 2022 performance assessment as less meaningful. It also undermines the usefulness of the 3-year results.

Investments sold due to ESG concerns

A final methodology that we use is to consider the value added from investments that we sold, where these decisions were expressly linked to ESG concerns.

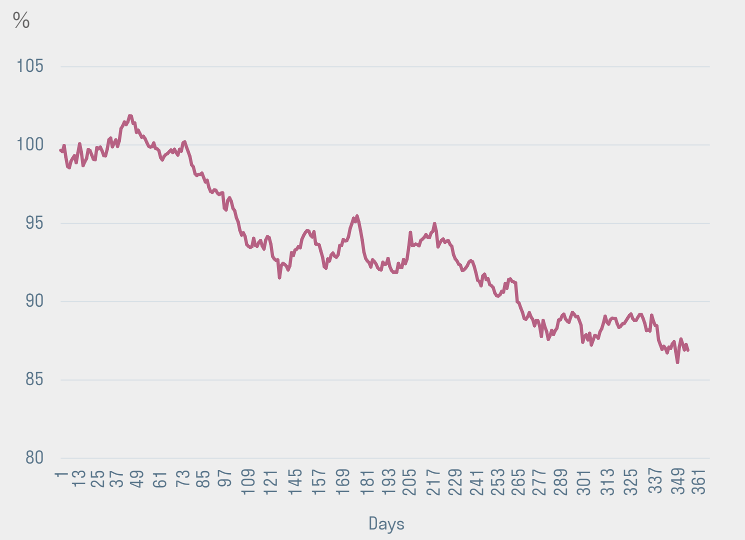
Over the past year, examples of this include: Bank of Nova Scotia, Alstom, Ørsted and Illumina.

We investigated the impact of stocks sold on ESG grounds for individual funds. The chart on this page summarises the findings for a representative account. It shows that, 12 months later, stocks exited on ESG grounds were down 13% on average, suggesting the decision to exit these companies enhanced performance and protected clients' capital.

As emphasised previously, this analysis needs to be used with caution, as there are inevitably issues that arise due to small sample sizes and other factors. We will continue to evolve our quantitative analysis to improve rigour and reliability.

AGGREGATE RELATIVE PERFORMANCE OF STOCKS SOLD ON ESG GROUNDS

(12+ MONTHS AFTER EVENT)



Source: Sarasin & Partners analysis. Data for January 2018 – December 2023. Representative account shown for illustrative purposes.

Past performance is not a reliable indicator of future results and may not be repeated.

FIXED INCOME

We have not conducted fixed income portfolio-level analysis in 2023, but we can point to examples of where we believe our ESG analysis helped to protect or enhance client capital.

Higher ESG-rated water companies with stronger ownership structures performed better

An ongoing example of where our assessment of elevated ESG risks (see **Principle 7** for details of our ESG credit ratings and SIM analysis) led to better performance in 2023 was again provided by UK water operating entities Southern Water and Dŵr Cymru (see chart on the right). This year, however, the focus was on governance.

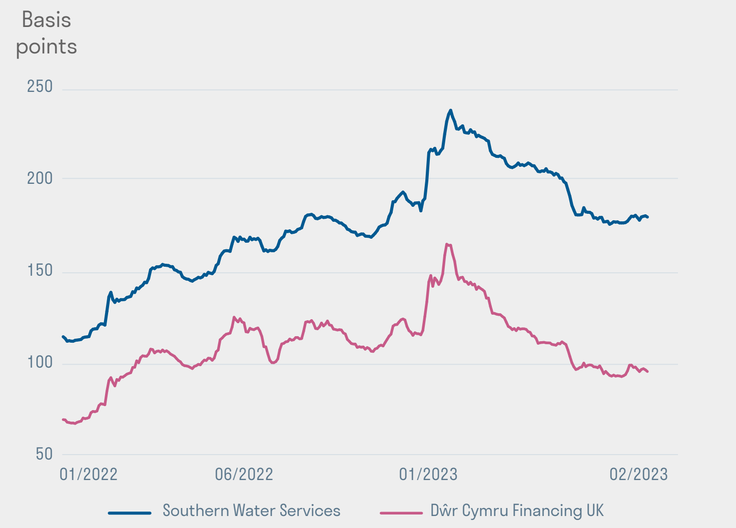
Southern Water has an ESG credit rating of BBB and five measures assessed as red on the SIM. Dŵr Cymru has an ESG credit rating of A and no red SIM assessments.

During the year Thames Water ran into difficulties related to a range of apparent failings. These included inadequate investment into water treatment infrastructure, excessive leverage and poor internal controls and governance. There were reports that it was in talks with the regulator – the Water Services Regulation Authority (OFWAT) – as well as the Department for Environment, Food and Rural Affairs and the Treasury about entering a Special Administration Regime – essentially a special insolvency process. This resulted in general uncertainty on regulation of the sector, which led to a sell-off for the whole sector. Southern Water, which has weak ownership and governance assessments in our analysis, sold off more that its peers.

By contrast, Dŵr Cymru scores higher than its peers, not only on environmental and social factors, but also on governance. Further, it is structured as a mutual, which means the shareholders are Dŵr Cymru customers. We believe this results in management incentives being better aligned with customer outcomes. Leverage has not been pushed to dangerous levels as a result. Also, any profits are distributed to customers, rather than outside shareholders of the entity, in the form of dividends.

CREDIT SPREAD PERFORMANCE OF BONDS WITH DIFFERENT ESG RATINGS

SOUTHERN WATER VS. DŴR CYMRU



Source: Bloomberg, February 2023

Past performance is not a reliable indicator of future results and may not be repeated.

Avoided poor performance on ESG grounds

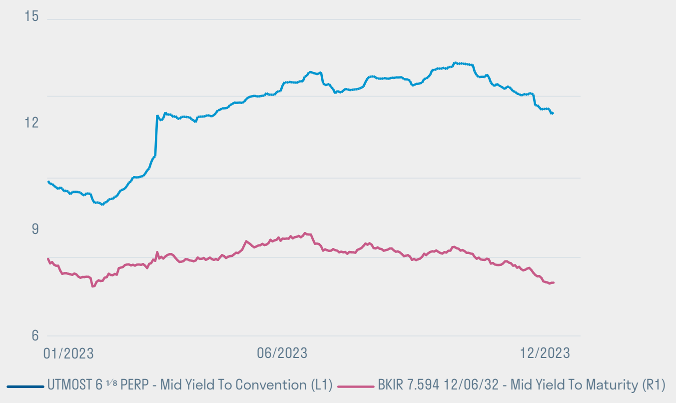
UTMOST

In April of 2023, following the financial sector turmoil that resulted in Credit Suisse defaulting on its additional tier 1 (AT1) bonds, we engaged in a review of our financials exposure. Part of this exercise dealt with disclosure reporting on banking assets held by financials.

We reviewed Utmost, an insurance company that provides wealth, insurance, savings and pension products. We had concerns as to the underlying assets of this insurer, especially given the expected rise in interest rates. We decided to switch our holding into the Bank of Ireland, which has much better reporting standards and fewer unknowns. The trade was fortuitous as Utmost bonds lagged the financial sector all year, only recouping some losses in early 2024 on the back of a general rally.

CREDIT SPREAD PERFORMANCE OF BONDS WITH DIFFERENT ESG RATINGS

UTMOST VS. BANK OF IRELAND



Source: Bloomberg, December 2023

Past performance is not a reliable indicator of future results and may not be repeated.

EXTERNAL ASSESSMENTS AND AWARDS

While we have received awards and accolades for a range of our business activities, here we highlight those that relate to stewardship and ESG assessments.

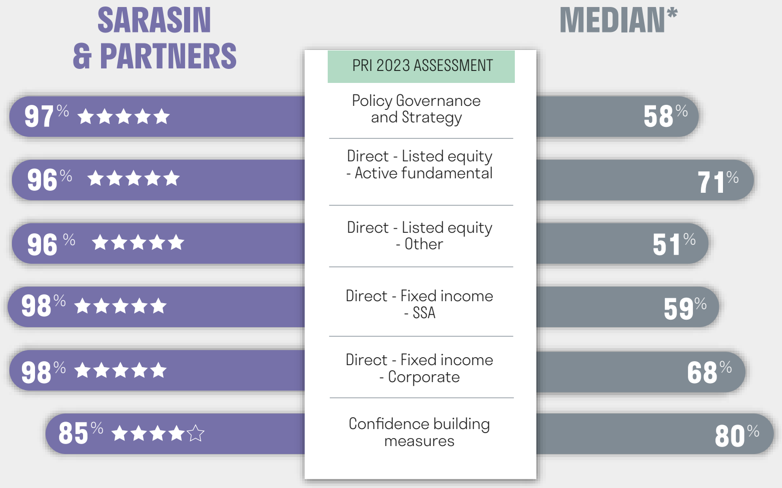
PRI RESPONSIBLE INVESTMENT ASSESSMENT

Principles of Responsible Investment (PRI) reporting is the largest global reporting project on responsible investment. The PRI provides an annual comprehensive assessment of responsible investment practices across asset classes, versus industry peers.

In our latest PRI Assessment Report published in 2023, we received top marks, i.e. five stars, in five out of six modules. While we were awarded four stars in 'Confidence building measures', we performed above the peer group median here too. The lower score in the confidence building measures module which was first added to the PRI assessment in 2023, relates to the breadth of coverage of our internal audit. We will seek to expand this in future.

We share a summary of the assessment on the right.

SUMMARY OF PRI ASSESSMENT 2023



Source: PRI Reporting Framework 2023

*Investment Manager signatories

FRC UK STEWARDSHIP CODE

Based on our 2022 Stewardship Report demonstrating how we applied the Code's 12 Principles, Sarasin & Partners was again confirmed as a signatory of the UK Stewardship Code in 2023.

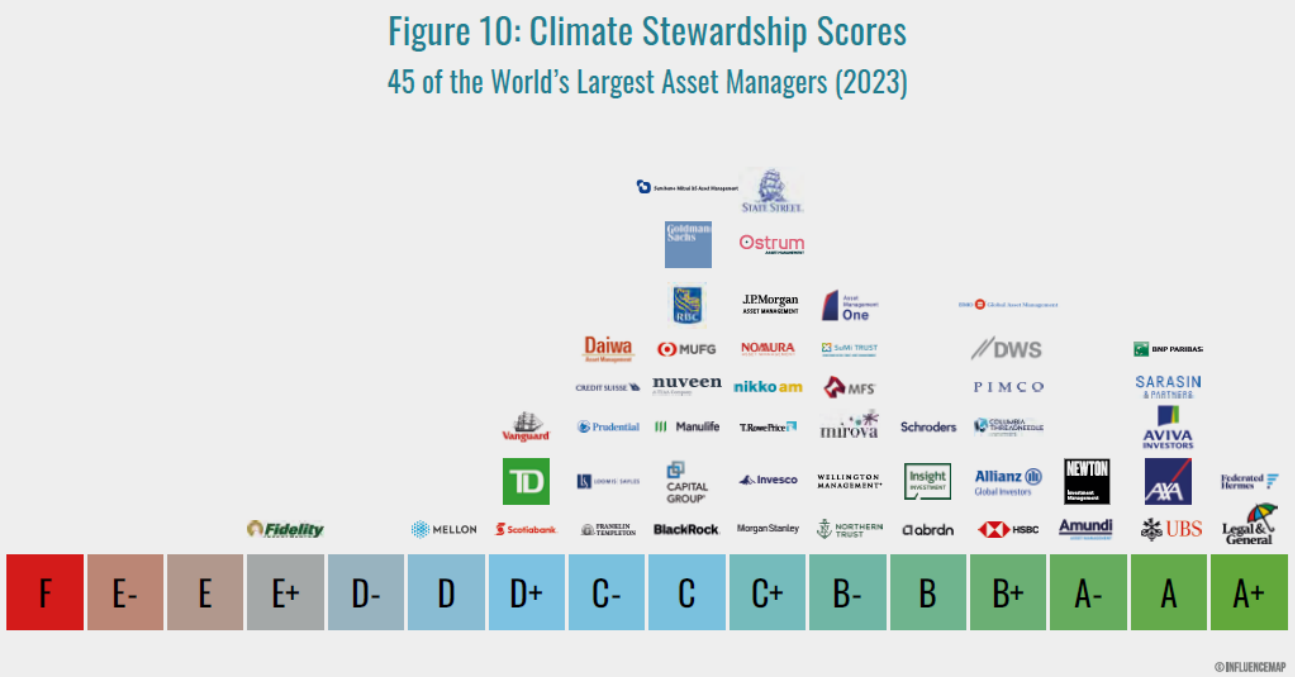
CIVIL SOCIETY REVIEWS

Civil society organisations such as InfluenceMap and Greenpeace are increasingly scrutinising us in reviews they undertake of the asset management industry's stewardship work. These tend to be driven by particular campaigns so need to be treated cautiously, and there is no certainty that they are themselves accurate or unbiased.

InfluenceMap's 2023 Asset Managers and Climate Change report, published in August 2023, identified nine asset managers that are leading the sector in their climate stewardship practices. According to the report: "These asset managers have demonstrated robust climate stewardship practices and processes." The report also highlights that "Sarasin & Partners and Federated Hermes both have a clear framework to assess the alignment of companies to a net zero pathway and to press companies to transition business strategies in line with a 1.5°C pathway." See the image below.

This report particularly highlighted climate resolution support relating back to 2022. Also see our climate voting results in **Principle 11**.

INFLUENCEMAP'S 2023 ASSET MANAGERS AND CLIMATE CHANGE REPORT



Source: InfluenceMap. (2023). Asset Managers Climate Change 2023

We work with various partners, including civil society organisations, to ensure the maximum effect through our combined efforts. We support many of their advocacy activities and often collaborate on research, thought leadership or public policy engagements. Here are some examples of testimonials on our stewardship work.

"Sarasin has for a long time been outstanding in the actions it is prepared to take and support to help drive companies through the energy transition. It has recently taken a much-needed lead in engaging investors with the challenges posed by the rapid evolution of AI. Companies need to think through their use of AI with great care. Sarasin aims to lead their peers towards making sure companies do just that."

Howard Covington, Chair: ClientEarth

"Sarasin & Partners are miles ahead of other fund managers in delivering climate impact by active stewardship. Their thoughtful and principled approach eschews performance in ESG ratings in favour of achieving real impact, influencing the capital allocation of firms that are important for the net zero transition."

Cameron Hepburn, Director of the Smith School of Enterprise and the Environment, the Battcock Professor of Environmental Economics at the University of Oxford and member of Sarasin & Partners' Climate Active Advisory Panel.

"As a co-chair of the IIGCC Banks Initiative and the IIGCC Accounts workstream, Natasha Landell-Mills, Head of Stewardship at Sarasin & Partners, has driven forward thought leadership on climate change, reflecting Sarasin & Partners' strategic approach to stewardship, which pushes companies towards greater resilience and sustainability."

Peter Taylor, Director, Corporate Programme, IIGCC

NAME-CHECKED IN SHELL'S 2022 ANNUAL REPORT & ACCOUNTS

We always welcome evidence that the pressure we applied to investee companies through our stewardship activities not only leads to progress, but is also explicitly acknowledged by them when they implement our asks.

For example, in Shell's 2022 annual report and accounts, released in March 2023, the company highlighted its communication with Sarasin & Partners, saying that feedback received from us has influenced its improved disclosures of climate risks. The improvements included 1.5°C analysis and disclosure of climate exposure for all key balance sheet assets. This is the second year in which Sarasin has been name-checked in Shell's annual report.

PRINCIPLE 6

CLIENT AND BENEFICIARY NEEDS

INVESTMENT APPROACH

We aim to deliver enduring value for our clients. As highlighted in Principle 1, we take a global, long-term, thematic approach to investing, with engaged stewardship at its core. Building on this foundation, we ensure that our investment service is tailored to individual client requirements.

A key aspect of our service is regular client communication. This ensures our clients are fully and reliably informed of the financial performance of their assets and the stewardship activities undertaken on their behalf.

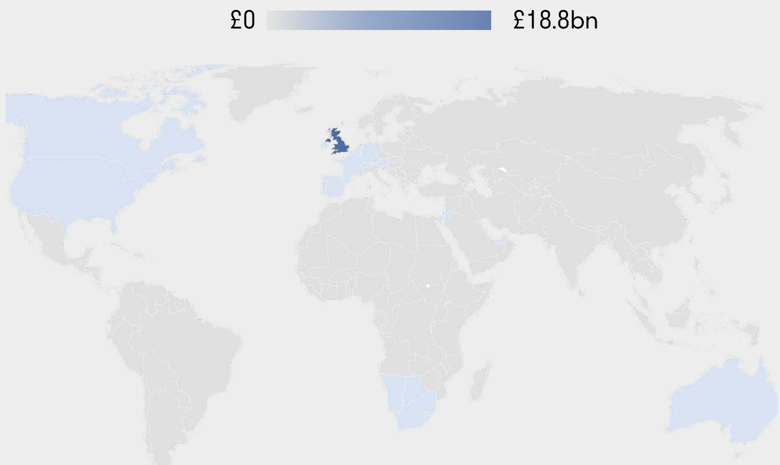
It underpins their ability to hold us accountable. Regular communication also ensures we are aware of our clients' changing requirements and can adjust their portfolios accordingly. Finally, these exchanges enrich our own understanding of issues and provide opportunities for collaboration, for instance in our company and market-wide engagements.

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

CLIENT BASE

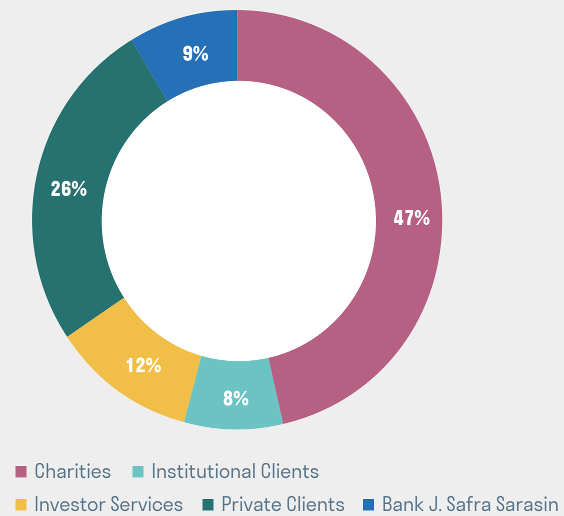
We manage assets on behalf of a broad range of institutions (most notably charities), private clients and retail investors. Whilst most of our clients are UK-based, many are located globally as shown in the chart here.

GEOGRAPHICAL DISTRIBUTION OF CLIENTS



Sarasin & Partners' total assets under management as of 31 December 2023 were **£18.8bn**.

CLIENT DISTRIBUTION AS A PROPORTION OF ASSETS



Source: Sarasin & Partners. Data as at 31.12.23

INVESTMENT SOLUTIONS, TIME HORIZON AND ASSET MIX

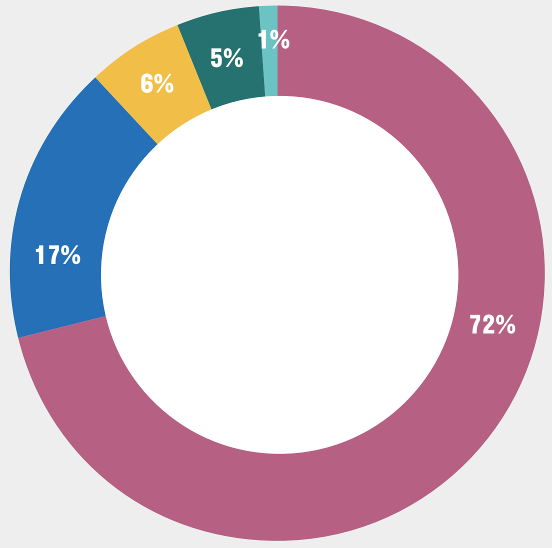
We offer our clients a range of investment solutions to meet their needs:

- High-conviction global thematic equity
- Income-focused strategies
- Single- and multi-asset solutions
- Specialist responsible and ethical investment strategies
- Target return strategies

All our strategies are rooted in the same philosophy of global, long-term and thematic investments, with engaged stewardship at its core and supported by bottom-up fundamentals analysis (see **Principle 7** for further detail). Consistent with our approach, we commit to deliver performance over a rolling five-year period.

The charts on the right provide a breakdown of our asset mix and geographical exposure.

ASSET CLASS MIX



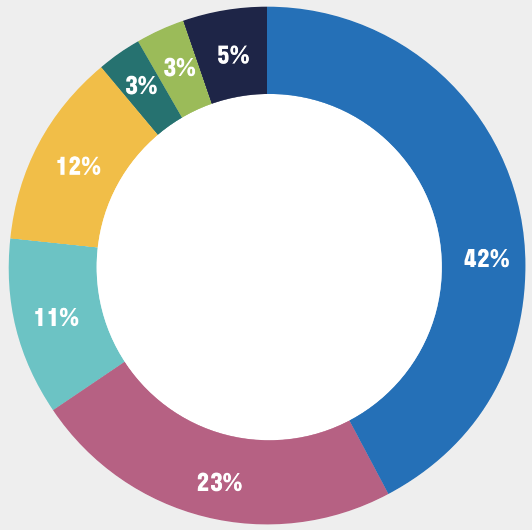
Source: Sarasin & Partners. Data as at 31.12.23

* Property equities, primarily real estate investment trusts, which are not included in the listed equity allocation

** Third-party funds, which are primarily listed equities

GEOGRAPHICAL ASSET BREAKDOWN

As can be seen from the chart, we invest globally, with North America and the UK accounting for the largest allocations.



Source: Sarasin & Partners. Data as at 31.12.23

A COMMITMENT TO RESPONSIBLE STEWARDSHIP UNDERPINS ALL OUR STRATEGIES

As mentioned in **Principle 1**, our commitment to ESG integration and stewardship is critical to all of our strategies. Some specialist strategies (such as Responsible Global Equity) place a greater emphasis on our ESG and stewardship expertise in response to client needs.

In December 2020 we became a founding signatory to the Net Zero Asset Managers Initiative (NZAM), and in February 2022 we published our Net Zero Action Plan. This enhances our commitment to setting a pathway for ensuring all of our fully discretionary assets are managed in line with the Paris Climate Agreement's 1.5°C temperature goal. By 2025 we aim to apply our Paris-alignment methodology to all our discretionary assets. We provided reports on the Net Zero Action Plan in 2022 and 2023.

Our approach seeks to deliver real-world decarbonisation via engagement with companies and policymakers, and not merely via divestment. We will divest where this is consistent with capital protection for our clients.

We also offer investment strategies that place more weight on our internal ESG ratings, climate stress-testing work and/or active ownership (see **Principle 7** for further details). Examples include our Responsible Global Equity, Responsible Corporate Bond, Tomorrow's World and Climate Active strategies.

CASE STUDY: CLIMATE ACTIVE STRATEGY EX-ENERGY

Last year we pointed to our Climate Active strategy, which was launched in 2018 in response to charity client demand. Modelled on Sarasin's multi-asset strategy for charity investors, Climate Active aims to generate long-term capital growth and sustainable income in a way that promotes alignment with the Paris Climate Agreement goals of keeping temperature increases to well below 2°C, and ideally 1.5°C, over pre-industrial times. To deliver these objectives, the strategy combines:

1. Climate-aware investing through a combination of identifying long-term climate-aligned solutions and the use of in-house climate stress-testing of carbon-intensive holdings; and
2. Proactive engagement with companies and the broader market to drive 1.5˚C-aligned behaviours.

The Climate Active strategy is not a fossil-free investment solution, as part of its focus is to press companies in harder-to-abate sectors to transition. Further information on our Climate Active strategy can be found on our website.

Through 2023, as climate risks have become more evident, a growing cohort of Sarasin's charity clients and prospects expressed a desire to avoid any investment in the fossil fuel extractives sector, while remaining supportive of the Climate Active approach of seeking to drive positive change. In response to this demand, Sarasin initiated work on a sister fund to Climate Active, Sarasin Climate Active ex-Energy. We aim to launch it in H1 2024.

CASE STUDY: DESJARDINS SOCIETERRA GLOBAL DIVIDEND STRATEGY

Following a competitive tender process, Desjardins Global Asset Management selected Sarasin & Partners to launch and manage a Global Dividend strategy for the SocieTerra platform in 2022.

The portfolio managers in the SocieTerra line are required to demonstrate a high level of ESG integration in all steps of their investment process. Moreover, they should share the belief that stewardship is an essential part of the investment process and can create value. During the manager selection and monitoring process, they have to showcase that their practices are consistent with Desjardins' Stewardship Policy, which supports three priority themes: climate, nature and human rights.

Our stewardship work featured on several occasions in our regular interaction with Desjardins during the past year. As part of their Net Zero Action Plan, we worked with them to ensure they understood our engagement plans and assessment of the three companies flagged as the larger carbon emitters in our strategy.

In 2023 we completed a detailed questionnaire alongside the other SocieTerra portfolio managers, enabling Desjardins to monitor and evaluate our work on their priority themes. Our response underlined the ESG integration in all aspects of our investment process and stewardship approach, with a focus on the sustainable outcomes achieved. We emphasised the risk assessment and engagement efforts related to the key priority themes. The Desjardins team was complimentary of our thorough responsible investment framework and thoughtful stewardship approach.

> "We are pleased with our constructive relationship with Sarasin and, in particular, our collaboration on vision and approach to stewardship. Their commitment to best practices and continuous improvement plays an important role in enabling us to achieve our own stewardship objectives, with a particular focus on sustainable outcomes for our thematic priorities, climate, nature and human rights."

Marie-Justine Labelle, Head of Responsible investment at Desjardins Investments

ETHICAL SCREENS

We routinely apply ethical overlays according to our clients' preferences. Over 70% of our charity portfolios have some form of ethical restriction, with many more of our strategies having a published exclusionary policy. Further details of our exclusionary policy can be found on our website.

COMMUNICATION WITH CLIENTS

As emphasised previously, a focus on regular, transparent and two-way communication with our clients is vital to ensuring we continue to meet their needs. It also helps our clients understand how we act as effective stewards of their capital. We pride ourselves in offering excellent client service, and this requires a high level of resource and attention.

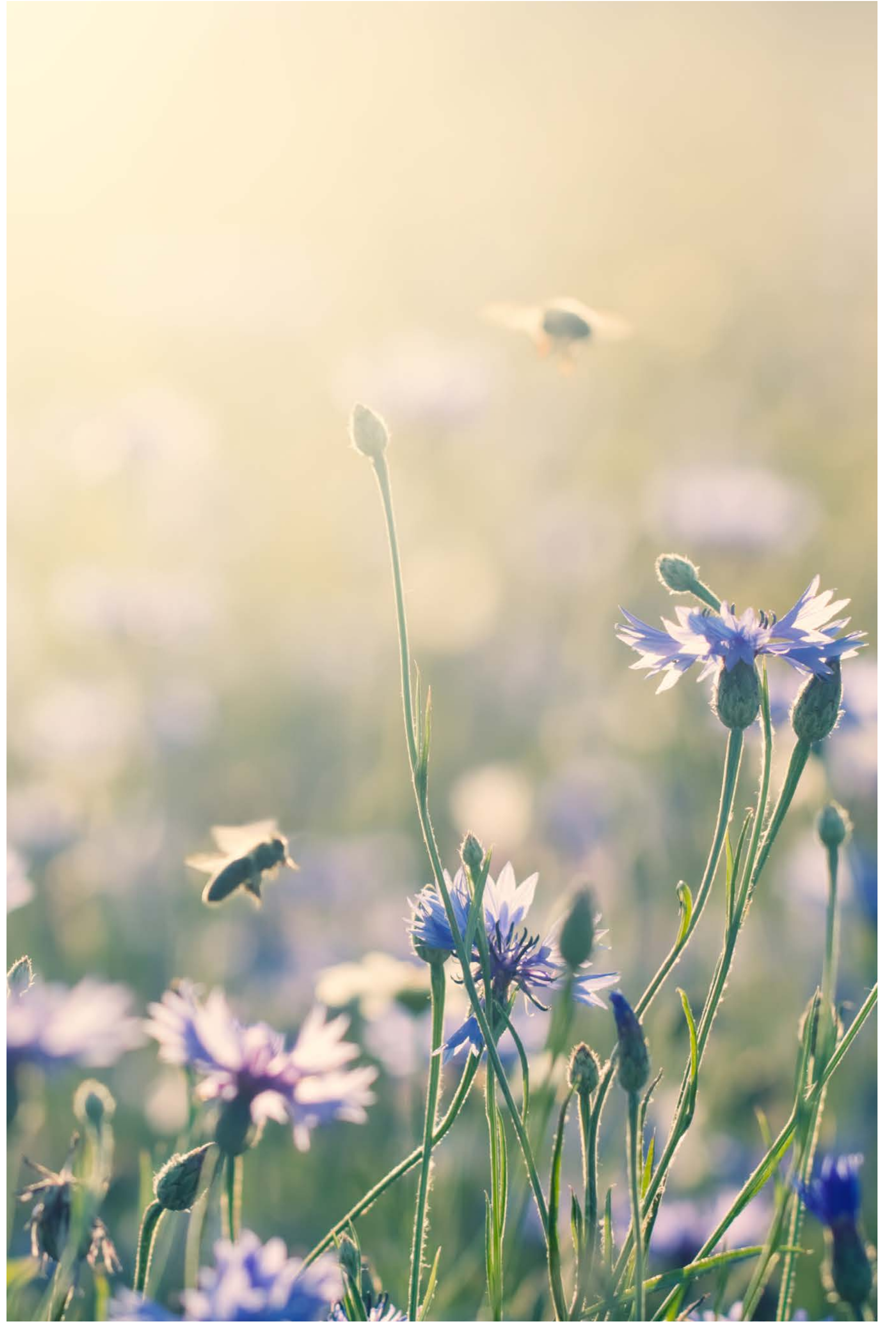
In this section we describe:

- How we meet the strategic needs of our clients;
- How we communicate with our clients;
- How we collaborate with our clients; and
- How we seek client feedback.

HOW WE MEET THE STRATEGIC NEEDS OF OUR CLIENTS

Our innovation is driven by macro economic market trends and our desire to meet the needs of our clients in the best way that falls within our core capabilities.

In addition to our Climate Active strategy outlined above, our Growth strategy offers an example of how we respond to client demand through the development of new product offerings.



CASE STUDY: CLIENT SOLUTIONS TO ADDRESS INVESTMENT NEEDS

Launched in 2021, our charity Growth strategy was developed to meet charity client demand for a higher-return, higher-risk investment solution. The strategy was specifically designed for charities with a longer-term investment horizon (7 years +), that can tolerate short-term volatility in return for potentially higher long-term performance, and who are able to embrace a total-return approach to withdrawals (rather than a traditionally used dividend-focused income approach).

In keeping with this goal, the Growth strategy's strategic asset allocation consists of 80% in global equities and 20% in alternatives. Similar to all our Charity Authorised Investment Funds*, the strategy operates a socially responsible investment policy, whilst offering the cost and administrative efficiencies that charities seek.

The Growth Strategy was launched in 2021, and it reached £183 million of assets under management as at 31 December 2023.

* The Charity Authorised Investment Funds are designed for UK registered charities only.

HOW WE COMMUNICATE WITH OUR CLIENTS

Client meetings

In addition to our quarterly performance reports, we aim to meet with clients at least once a year to present the latest investment report, together with the outlook for the period ahead. We routinely have conversations with clients between formal reporting periods if questions arise.

We host Charity Forum lunches once a month for prospective and current clients. It is an opportunity to discuss topical issues facing the charity sector, as well as ESG and stewardship matters, while gaining feedback on how best to improve our investment offering.

Client education

We routinely host seminars, such as our annual Spring Seminars, our autumn event for private clients, our Charity Autumn Seminar for holders of our charity funds, as well as training events throughout the year.

We have published a Compendium of Investment for over 20 years. This forms the basis for our trustee training programme, through which we have trained over 6,000 trustees since 2002. The Compendium is updated every other year. The latest update was published early in 2024.

Reporting

BESPOKE STEWARDSHIP REPORTS

Sarasin produced its first bespoke stewardship report for clients in 2023, highlighting the ESG profile for their specific portfolios, as well as the relevant stewardship activities and their outcomes.

OUR QUARTERLY CLIENT VALUATION REPORTS

These reports include an overview of performance, attribution analysis and details of underlying securities held, including their ESG profiles based on our internal analysis. Clients who invest in Sarasin & Partners' pooled funds have full visibility of underlying securities via our look-through tool.

With regard to our stewardship work, voting records are included, alongside a summary of progress with key engagements and policy initiatives.

Our quarterly House Report

We publish a quarterly House Report with industry comment and insights. In 2023 we also included our Charity Commission Guidance Update to educate clients.

House Report email newsletters and printed copies were sent to **4,000** clients each quarter in 2023.

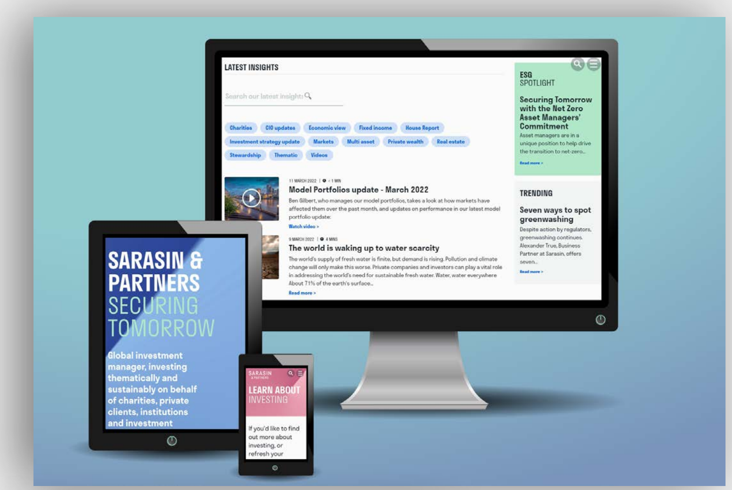
CLIENT AND BENEFICIARY NEEDS | PRINCIPLE 06

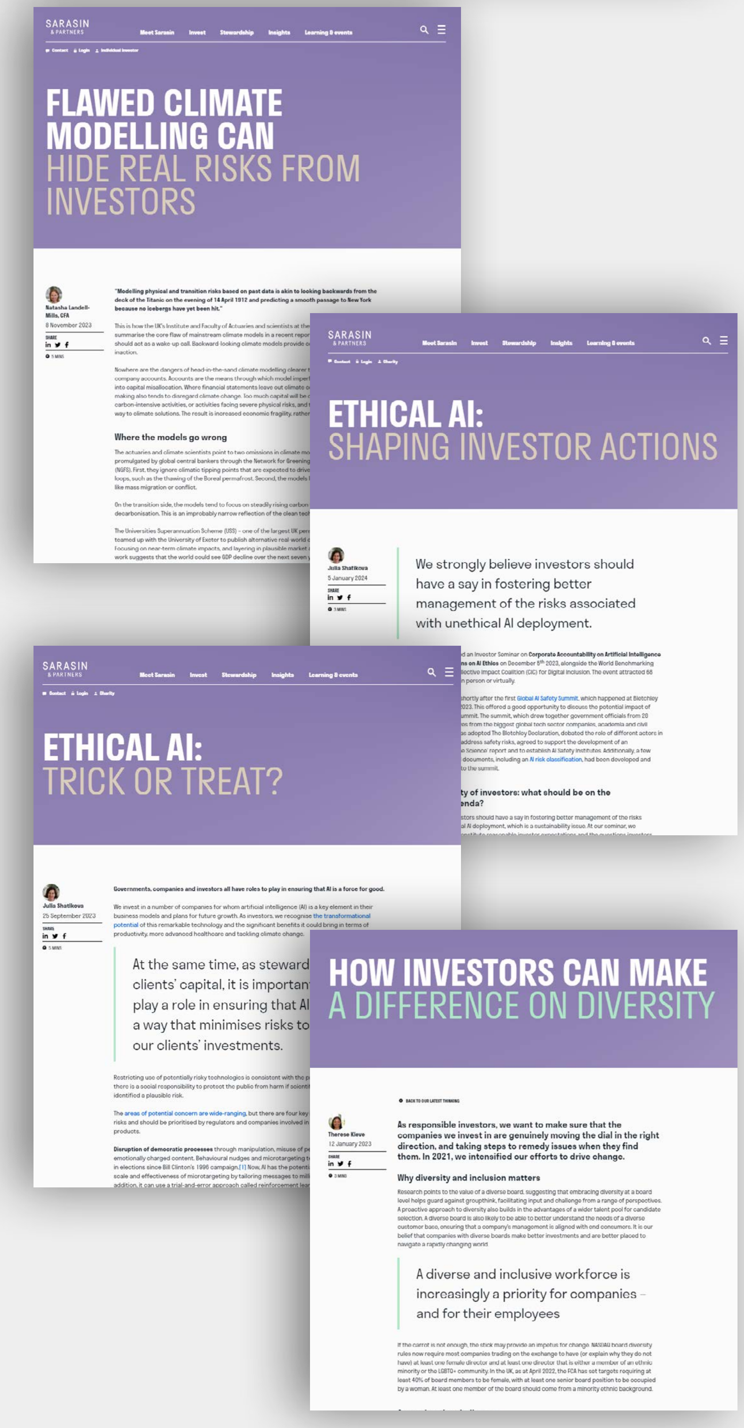
Website

Through our website, we can produce interactive and timely information flows to clients on our ESG and stewardship work. Alongside our key stewardship policies, we publish our voting data quarterly, in addition to key company and market outreach work. In 2023, highlights from our website's insights section included thought leadership on ethical AI, how climate change can affect global GDP and investment opportunities and why investors can make a difference on diversity.

Further information on our market outreach can be found under **Principle 4**.

We have enhanced the voting section on our website with the addition of real-time voting history through our proxy voting dashboard. It is designed and maintained by our proxy service provider ISS. Users can now filter data by time periods, portfolios or companies.





CASE STUDY: SARASIN CLIENT PORTAL

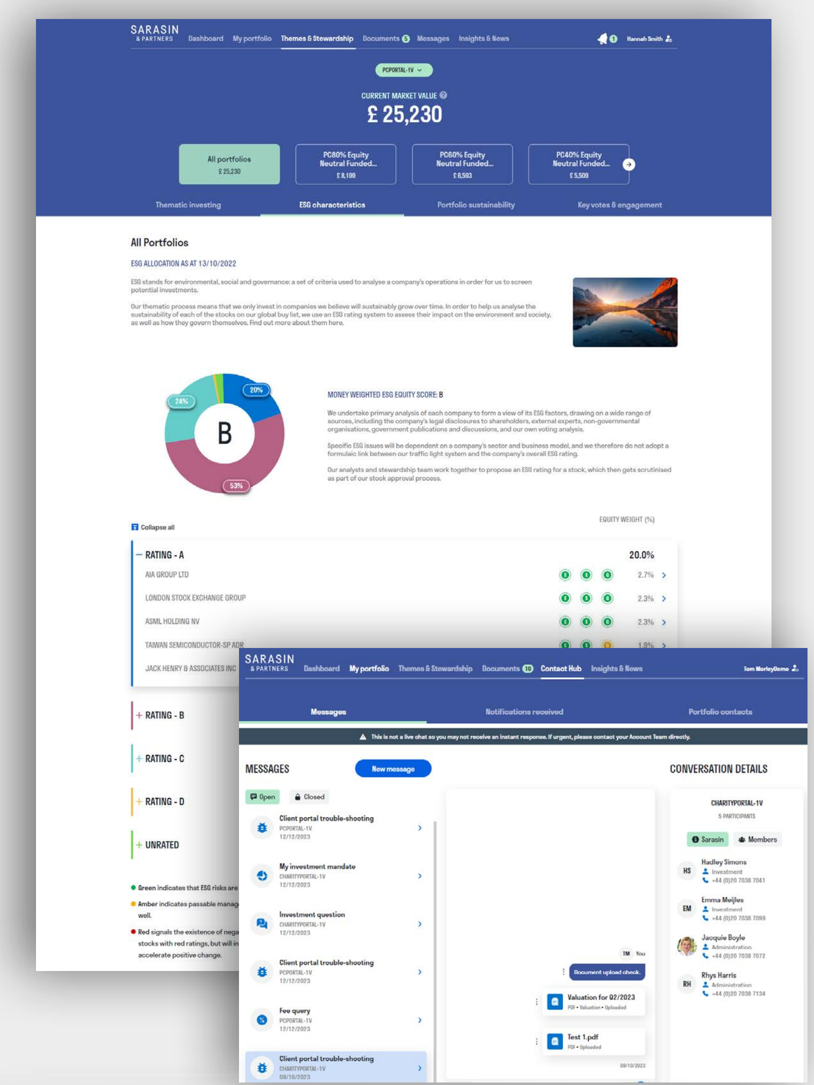
In 2022 we launched an interactive online reporting service for our clients to ensure even greater visibility and easy access to important aspects of their portfolios whenever they wish. Its key features include:

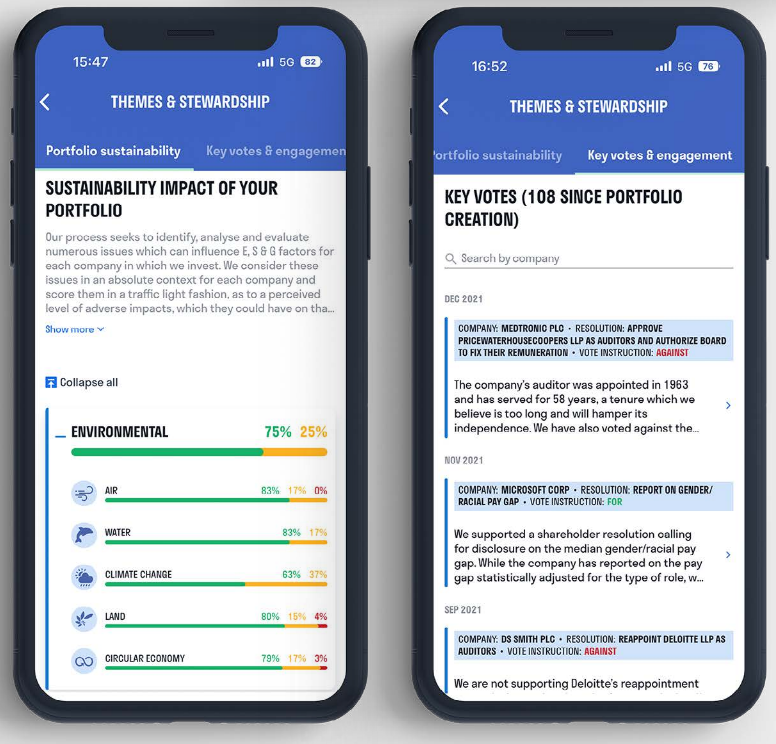
- Customised access to information;
- Full optimisation for mobile access;
- Interactive performance reporting, including portfolio-related ESG data, voting and engagement highlights; and
- Customised overviews of clients (for professional advisers).

As of December 2023, the portal has over 3,000 users. We consistently see over 100 of these accessing the portal daily, with over 150 during key periods, such as when valuations are published. Clients can view all holdings, performance and transaction information since the creation of their portfolios, which in some cases means more than 20 years of data being provided. In addition, clients can personalise their home page, which allows for easy navigation to the most pertinent information for each individual. The portal is available on desktop and mobile via the Apple and Google Play stores.

The Themes & Stewardship functionality provides a look-through into the ESG profile of a client's portfolio, key engagements and votes. With the Insights & News section, we can share investment content with our clients, including thought leadership and insights into current issues.

In June 2023 we added a two-way messaging functionality on the portal. This allows messages to be shared between multiple members of a client's portfolio (e.g. husband and wife) and their account team. Documents can also be exchanged and this provides an enhanced risk mitigation service to clients as an alternative to email (as the portal has multi-factor authentication).





LinkedIn/Twitter

We have continued enhancing our social media presence via LinkedIn and X (formerly Twitter), as well as continuing staff training to enable an enhanced flow of information for our clients and other interested stakeholders. We have seen a growing interest in our stewardship work, including our policy outreach efforts on highlighting climate risks in banks' balance sheets and our collaboration on driving ethical AI standards.

29,700
X followers

13,087
LinkedIn followers

10.2%
increase in LinkedIn followers from the previous year

HOW WE COLLABORATE WITH OUR CLIENTS

In 2023 we continued to encourage our clients to engage with our stewardship process. They can sign up to our open letters – such as letters to auditors, regulators and companies – and have the opportunity to get more involved with our engagement work.

HOW WE SEEK CLIENT FEEDBACK

Client satisfaction is a high priority for us. We regularly seek feedback from our clients, starting with the request for proposal, followed by our onboarding process and then through regular one-one-one dialogue and broader client gatherings. We also solicit feedback through structured client surveys at events and training sessions. Surveys 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.

For example, in 2023 we received positive feedback for our training course 'Ethical policy settings and implications for your investment returns', as clients believed that their awareness of the FCA regulatory changes improved.

To give a second example, the client survey at our 2023 Spring Seminar produced the following results on the question of clients' overall impression of Sarasin. We sought comments as well and carefully reviewed the feedback from those clients who scored us below 5. The feedback included some useful suggestions about our stewardship policies, which we have taken on board.

Please rate your overall impression of Sarasin & Partners

Score	Count	Percentage
5+	1	0.9%
5	75	64.7%
4	35	30.2%
3	4	3.4%
2	1	0.9%
Total	116	100%

WHAT'S NEXT?

By Q3 2024 we will introduce a suitability function to the client portal that will enable clients to inform us of changes to their investment objectives and/or circumstances regarding sustainability characteristics in a flexible and streamlined manner. This will improve the playback of a client's suitability assessment, giving Sarasin & Partners informative and up-to-date information on our client base. This should enable us to respond to client needs in a more agile way.

In parallel, we will create client onboarding and portfolio opening functionality throughout 2024 (to be released in 2025), which will allow new and existing clients to open new portfolios via a workflow within the portal. Once these core portal functionalities have been delivered, we will be able to add access to enhanced client-specific engagement statistics as per our internal engagement reporting tool.

PRINCIPLE 7

STEWARDSHIP, INVESTMENT AND ESG INTEGRATION

We look through business cycles to focus on positive societal trends that we expect to endure for decades.

As we outlined in Principle 1, responsible stewardship is fundamental to our investment offering. Our approach is long-term and global. We look through business cycles to focus on societal trends that we expect to endure for decades. For most strategies, we commit to delivering financial performance on a rolling five-year basis. There are three core pillars to our approach:

1. A global thematic investment process focused on long-term value drivers;
2. Active ownership to drive more sustainable company behaviour, which thereby underpins long-term investor returns; and
3. Thought leadership and policy outreach to drive positive market-wide change.

In this section, we focus on pillar 1: our approach to selecting securities in which to deploy client capital. We start with our equity investment process and then turn to fixed income and alternatives. Pillar 2 is outlined in **Principles 9-12**, while we discuss pillar 3 in **Principle 4**. We view these three pillars as symbiotic and mutually reinforcing, giving us insights that a simplistic bottom-up fundamental analysis would miss.

EQUITIES

ESG considerations are embedded in all three stages of the investment process: from idea generation – which evaluates long-term thematic trends such as ageing or climate change (see the box on the Sarasin equity thematic investment process) – through stock selection incorporating bottom-up ESG and climate impact analysis, to portfolio construction.

SARASIN EQUITY THEMATIC INVESTMENT PROCESS

IDEA GENERATION

Using a thematic framework to uncover attractive investment ideas with the potential for enduring growth

- Global mega-themes
- Investible sub-themes
- Niche industries

Thematic universe (~ 600 stocks)

STOCK SELECTION

- Robust stock selection process
- Fundamental bottom-up analysis
- Deeply integrated ESG
  - Led by stock analysts
  - Supported by specialists

Global buy list (~ 100 stocks)

PORTFOLIO CONSTRUCTION

- Bottom-up stock selection
- High-conviction portfolios built from global buy lists
- Portfolios constructed with awareness of benchmarks where relevant
- Risk management and oversight to avoid unintended risks

Sarasin Global Equity portfolio (35-50 stocks)

IDEA GENERATION: OUR MEGA-THEMES

The first step in our process is idea generation. We look for opportunities in areas where we anticipate long-term, durable growth, underpinned by what we describe as mega-themes. We believe mega-themes will be more enduring where they are aligned with a more sustainable society.

STOCK SELECTION

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

The key components of our ESG analysis are:

1. Sustainability Impact Matrix (SIM): We undertake a comprehensive analysis into 15 ESG factors. Over 160 data points and criteria are considered in this assessment. This is an absolute analysis, rather than relative to peers in an industry. Each measure is given a red, amber or green assessment to reflect the severity of the impact on the environment, people and governance.
2. ESG pillar assessments: based on the assessments of the 15 factors, we draw out an overall traffic light for E, S and G pillars, representing how financially material the adverse impact is expected to be.

SARASIN THEMATIC FRAMEWORK

INVESTMENT THEMES LEADING TO COMPANIES WITH SUSTAINABLE LONG-TERM BUSINESSES

DIGITALISATION

Analytics	Digital commerce
Cloud	Connectivity
Digital media	Processing

AUTOMATION

Factory, robotics & AI	Test & verify
Supply chain	Nascent adopters
Food chain technology	Security

AGEING

Genomic revolution	Pandemic fragility
Future human	Funding the 100-year life
Value-based care	Fulfilment

EVOLVING CONSUMPTION

Diet & nutrition	Experience economy
Active lifestyle	Aspirational consumer
Emerging consumer	

CLIMATE CHANGE

Environmental resources	Low-carbon power
	Resource efficiency
Infrastructure and buildings	Low-carbon transport
	High-carbon transition

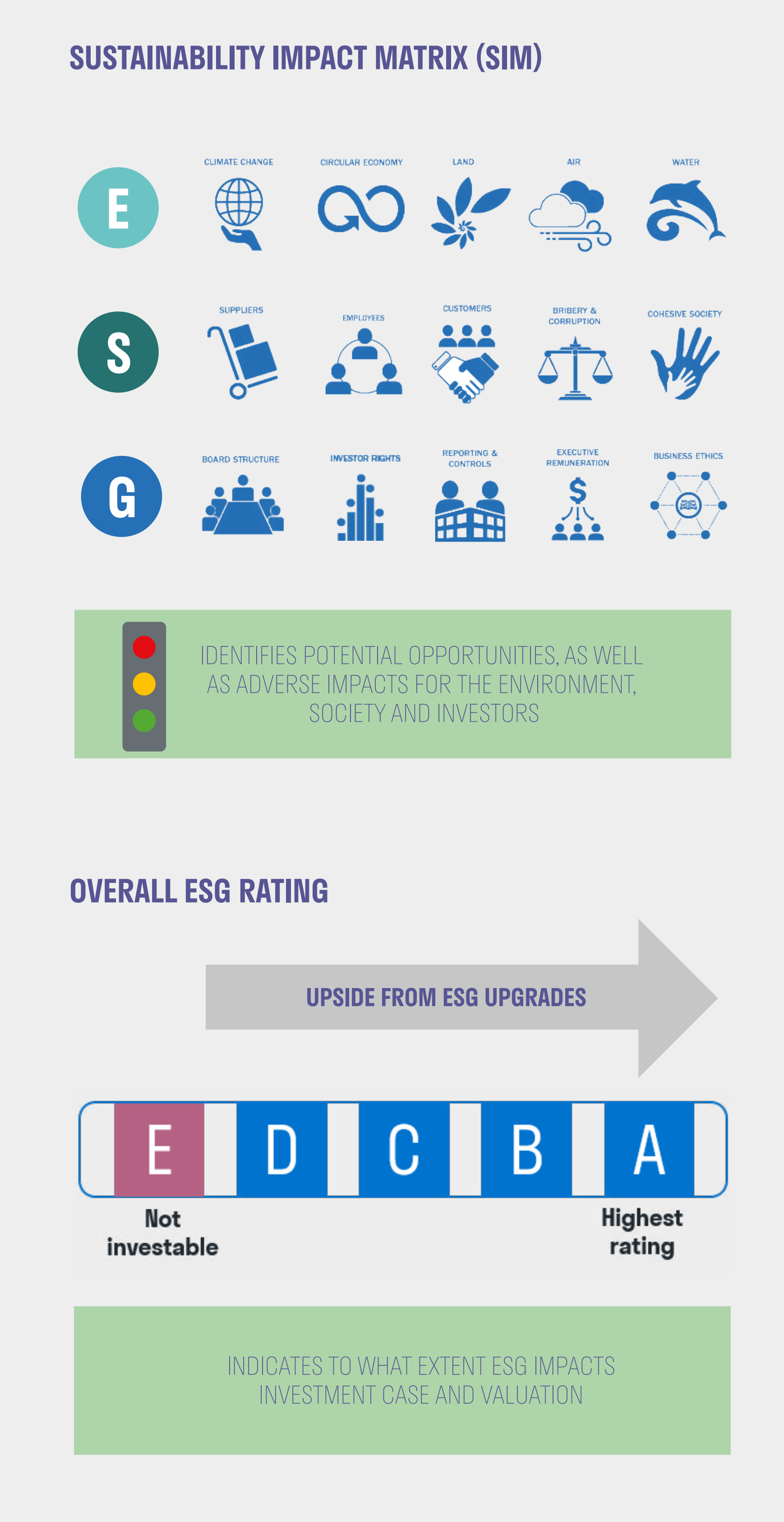
3. Overall ESG rating: an overall ESG rating of A to E with optional momentum indicators (+/-) translates the ESG traffic lights into a rating that reflects the overall financial materiality of ESG measures for the entity concerned. In essence, it captures the extent to which we expect harmful external impacts to be internalised. An 'A' rating points to ESG as a positive opportunity for the investment case; 'E' is un-investible due to ESG risks, and the security would be taken off our internal buy list. The ESG rating, whether suggesting a challenge or opportunity, is then reflected in the valuation model.

A TEAM-BASED APPROACH TO DETERMINE THE ESG RATING

The lead analyst on a company, working within the equity team, will propose the SIM assessment and ESG rating as part of the initial stock analysis. The investment team scrutinises the ratings through our stock approval process at the weekly team meeting, which includes the stewardship team.

In the event of diverging views, the Head of Equity Research reviews the assessment and makes the final decision. Analysts have responsibility and accountability for their ESG assessments, with oversight from the Head of Equity Research.

We use the analysts' assessment of the economic consequences of any identified adverse impacts or opportunities to evaluate and model the financial materiality of the SIM factors. Specific ESG issues will be more or less material depending on a company, its sector and business model. We do not adopt a formulaic link between the ESG pillar assessment and overall ESG rating.



Instead, the stock initiation note illustrates how our assessment of the SIM factors has informed our view of a company's prospects.

Our fully integrated approach aims to ensure that ESG data is evaluated by analysts who have a detailed understanding of the company, its industry and business model. We believe this results in a more reliable assessment of financial materiality of the SIM factors. Historically, the low correlation between our ESG ratings and that of external ESG rating companies, such as MSCI or Sustainalytics, provides evidence that our approach is differentiated.

We undertake primary analysis to form a view of SIM factors, drawing on a wide range of information sources. These include the company's legal disclosures to shareholders (e.g. annual report and accounts, sustainability reports, Task Force for Climate-related Disclosures reports), external experts, non-governmental organisations, government publications and discussions, as well as our own engagement and voting analysis.

In 2023, enhancements to our process included:

- The integration of additional quantitative ESG data sourced from various providers to enhance the rigour and consistency of our analysis, and to support regulatory reporting. More information on our analytical resources and providers is given in **Principles 2** and **8**;
- Early ESG screening to filter out companies with severe ESG issues; and
- Expanded climate stress-testing to a wider set of companies on our climate amber list (see case study below).

CASE STUDY: CLIMATE STRESS-TESTING

In line with our NZAM Action Plan, we continued to enhance climate stress-testing for our high-risk holdings.

This involves three steps:

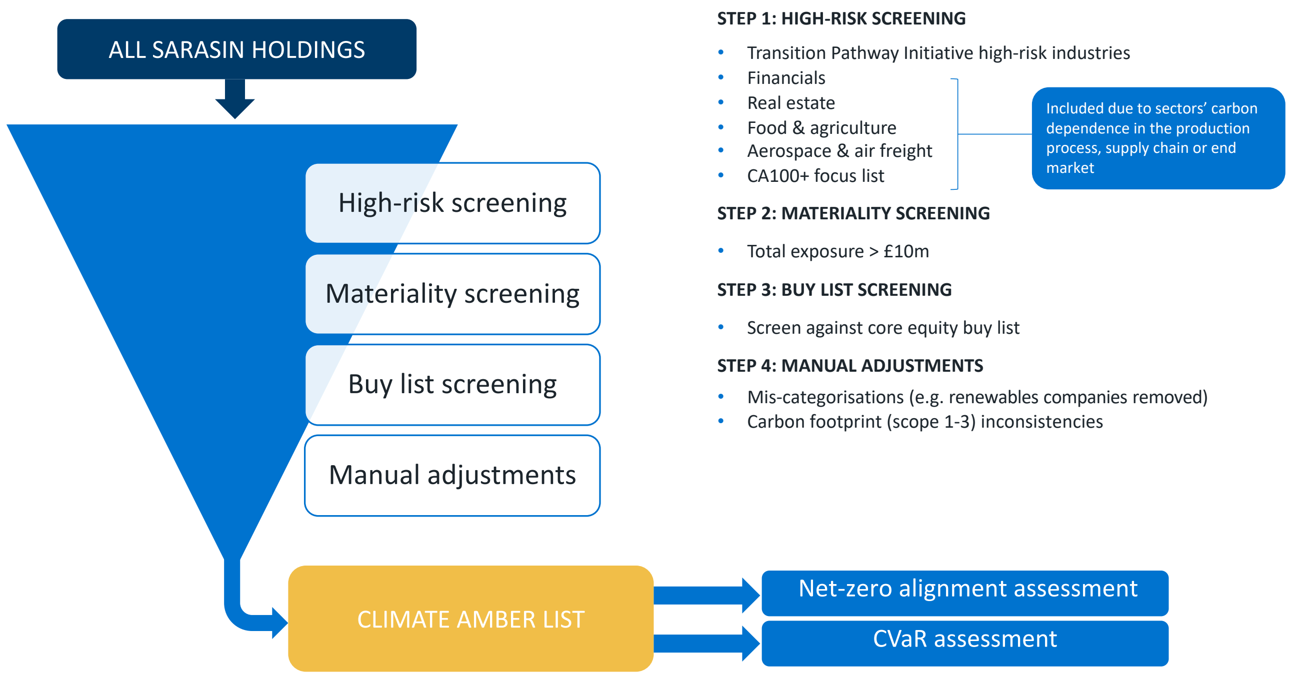
1. Identification of our high-risk holdings, known as our climate amber list;
2. A qualitative net-zero alignment assessment; and
3. A quantitative climate stress test – we produce a climate value at risk for equities.

CLIMATE AMBER LIST (CAL)

We have developed a filtering process (summarised in the accompanying graphic) to identify a list of higher-risk holdings where we focus our climate analysis and engagement.

Once the automated screening is complete, members of the stewardship, equity and fixed income teams conduct a manual review to adjust for any inconsistencies. These might include low-emission companies in high-risk sectors or high-emission companies not captured by the screening process.

The final list of issuers is divided into the equity and bond sub-lists. The CAL is updated quarterly.

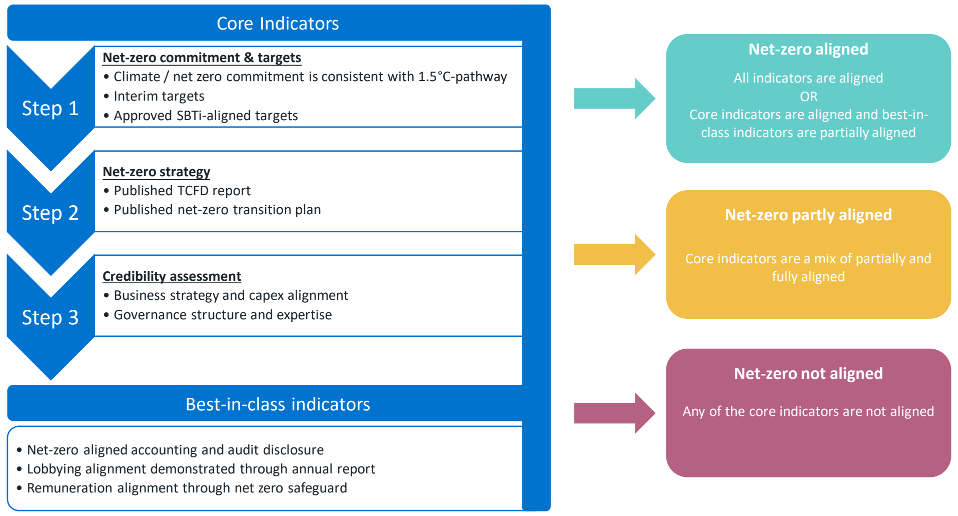


NE- ZERO ALIGNMENT ASSESSMENT (NZAA)

This is our qualitative assessment of an entity's exposure to climate-related risks in a 1.5°C-pathway and the steps they are taking to mitigate these. We consider backward-looking data on emissions and forward-looking indicators such as the entity's efforts to align with a low-carbon pathway, its governance of climate-related risks, disclosure to shareholders and incentive alignment through remuneration policies (see graphic summarising the process on the right). Companies are rated as not aligned, partly aligned or aligned.

Net-zero alignment assessment

Forming a view rather than taking commitments and strategies at face value



Note: Not all stocks in the portfolio will be assigned a CVaR score or net-zero assessment, predominantly those on the climate amber list.

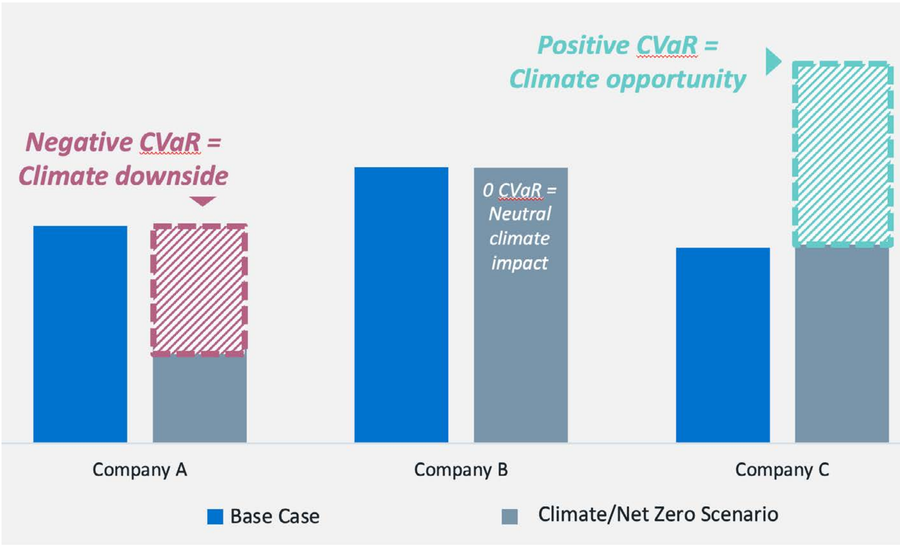
QUANTITATIVE CLIMATE STRESS-TESTING

Equities: climate value at risk (CVaR)

CVaR is our in-house approach to quantify the potential valuation consequences of a 1.5°C-pathway for higher-risk equity holdings included in our CAL. This enhances our understanding of portfolio exposure to transition and physical risks, allowing us to manage these risks.

The CVaR calculation is based on a discounted cash flow model built around a 1.5°C-scenario, which is compared to our business as usual scenario. This exercise seeks to quantify how a company's prospects might be impacted by implementation of the Paris Agreement.

For those firms where the 1.5°C-scenario generates a lower valuation than the base case, the CVaR will be negative. For those firms where the 1.5°C-scenario generates a higher NPV than the business as usual, the CVaR will be positive (see diagram on the right).



CVaR assumes management's response to climate risks is what they have publicly declared and no more. This gives us an idea of the downside risk based on current plans. It also informs our view of the upside from engagement to drive additional actions.

Importantly, our CVaR work allows us to move beyond a simplistic assumption that a higher carbon footprint will mean more downside risk. It takes account of how government policy (e.g. a carbon tax or bans on the sale of certain products) or shifts in consumption patterns (e.g. lower demand for international travel) could play out in the market and impact revenue growth, margins, capital expenditure requirements, asset values, etc. In short, it is more realistic and offers more insight into economic risks and opportunities.

In 2023 we conducted 18 CVaR stress tests on CAL companies.

Climate stres- testing for bonds

We split our analysis between banking and non-banking corporate debt to understand the potential valuation impact from climate risks.

For banks, we draw on data from regulatory stress-testing exercises to support our assessment of balance sheet resilience to climate risks. We use average climate expected credit losses* to stress-test banks' common equity tier 1 (CET1) ratios and insurers' solvency positions. Where data is available, we may make further adjustments at the issuer level to reflect our views of possible higher or lower climate risks.

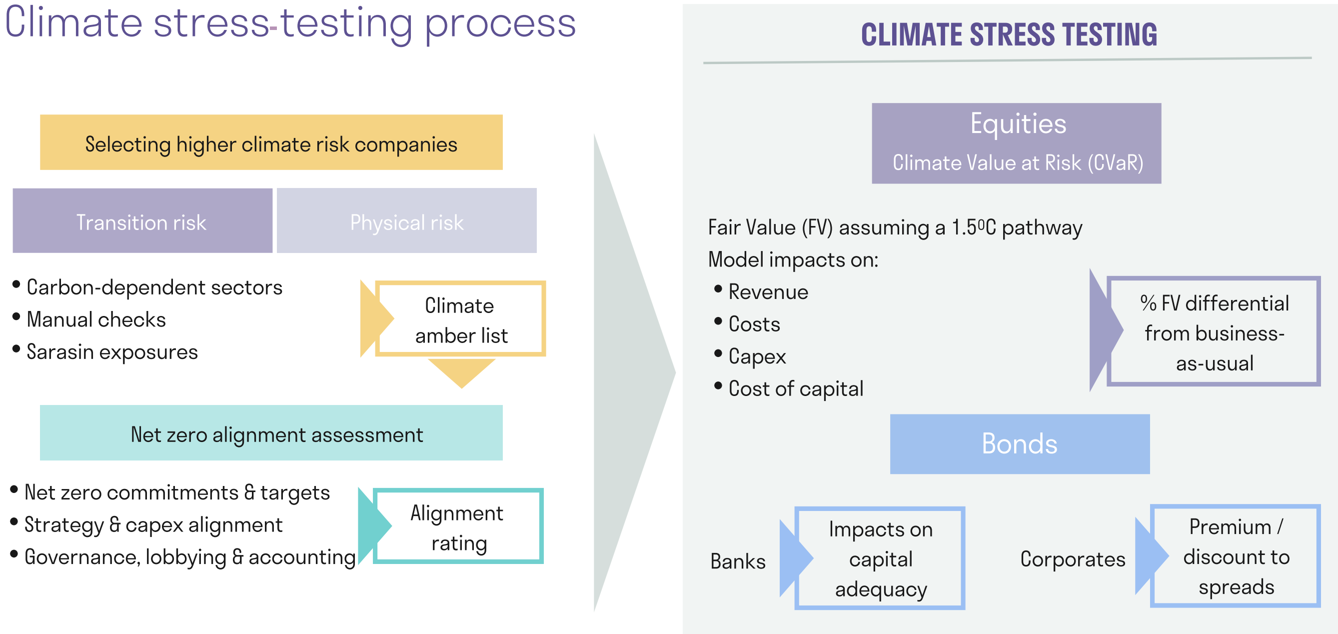
For non-bank corporates, our climate stress test involves adding a climate risk premium to the market spread of each bond under the different NGFS scenarios and across various parts of the yield curve. In this way we effectively stress each bond's valuation under different climate scenarios.

ENGAGEMENT IMPLICATIONS

Our NZAA and climate stress-testing work provide investment insight. It also helps inform our engagements and voting decisions (for equities). Please see case studies on this in **Principles 9-11** and voting results in **Principle 12**.

*Provided by the regulators under the three different Network for Greening the Financial System (NGFS) scenarios.

Climate stress-testing process



INTEGRATION INTO INVESTMENT THESIS AND VALUATION

Where the ESG analysis identifies financially material implications for a company, this is explicitly reflected in analysts' investment theses, models and valuations. This analysis will depend on the specific company, with analysts using their expertise to determine how the economics of the business will be impacted.

STOCK APPROVAL INCLUDES ESG AND STEWARDSHIP EXPERTS

The initial stock note, including the proposed SIM rating, is presented to the team, including stewardship experts. The team votes on whether to move to the next stage, which involves deeper due diligence, guided by team questions.

A pre-mortem analysis is also undertaken to identify potential weaknesses in the investment thesis for debate. The process ends with a full note, including more detailed analysis and valuation, which is presented to the team and a final vote is then taken for entry on the global buy list.

PURCHASE AND PORTFOLIO CONSTRUCTION

Once a stock is placed on the buy list, it can be purchased as guided by the analyst's stock rating. Portfolio managers are responsible for determining the timing and the size of the position.

ESG integration is a key part of all our funds and strategies. However, in some strategies we may place greater weight on the ESG analysis in response to client requirements. Examples of this include our Responsible Thematic, Climate Active and Tomorrow's World strategies. For further information on these strategies, please refer to our website.

In addition to our ESG integration work, we manage ethical screens for particular clients where required. This process identifies exposures to any of our 13 ethical considerations.

Our thematic approach is not benchmark-constrained, allowing us to focus on our highest conviction ideas. Our approach to ESG analysis is focused on assessing the absolute risk to capital rather than looking for relatively better-positioned companies within a sector or region.

In emerging markets, for example, we may see worse ESG scores for certain factors, reflecting less developed institutional frameworks and market practices. We do not adjust our ESG scores upwards to 'level the playing field', as this would dilute the value of the analysis – namely to bring out absolute investment risk.

As shown in the charts on the right, in 2023 the higher-rated ESG stocks had a greater weighting in our core funds than the worst-rated ESG stocks. Viewed though the sector and geographic lens, we hold fewer emerging market and energy stocks versus the market benchmark.

We update our ESG analysis at least annually, in line with the stock review process. Where we are made aware of changes to ESG characteristics at individual companies, the SIM will be updated immediately.

EVIDENCE OF HOW OUR ESG ANALYSIS IMPACTS INVESTMENT DECISIONS

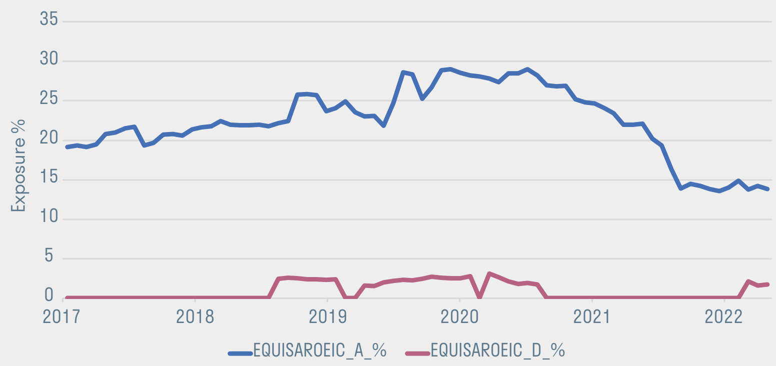
Our ESG analysis and stewardship work directly impact our stock purchases, sales and ultimately, client outcomes.

In **Principle 5** we provided detail from a preliminary analysis of the relationship between our ESG assessments and stock performance. We have found a positive correlation. Firstly, our A ESG-rated companies have tended to outperform our D ESG-rated stocks. We have also found evidence that decisions to sell or buy companies' securities where ESG is a contributory factor, have contributed to protecting and enhancing our clients' capital. While these results are reassuring, there are statistical limitations to this analysis, and thus we treat the result with caution.

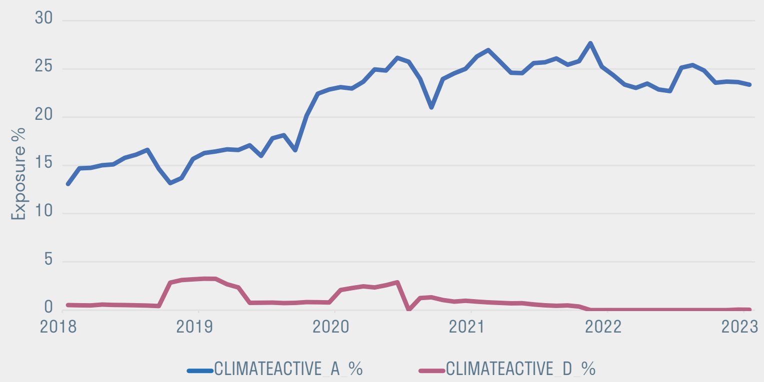
For evidence of how our ESG work impacts our investment decisions, we track metrics for different points in our process. This ranges from the follow-through of an ESG rating change to a security rating change, through to an investment decision (reduce, increase, buy or sell). For example, in 2023, we removed Orsted, Illumina, Alstom, Bank of Nova Scotia and Alibaba from our portfolios and subsequently our global buy list due to ESG concerns, among other considerations.

PERCENTAGES OF A AND D-RATED STOCKS

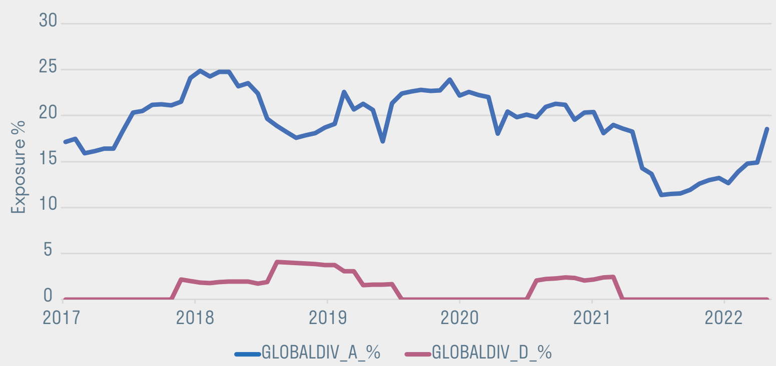
THEMATIC GLOBAL EQUITY STRATEGY



CLIMATE ACTIVE STRATEGY



GLOBAL DIVIDEND STRATEGY



Source: Sarasin & Partners, 29.12.23

It is worth stressing that the vast majority of our equity holdings have significant social or environmental opportunities. This is because our thematic process seeks to align with societal trends to deliver enduring long-term value. For instance, all the stocks within our Climate Change theme have strong climate-related value drivers. These account for 13% of our global equity buy list by value, as of 31 December 2023.

FIXED INCOME

Our approach to ESG integration for fixed income combines top-down screening and thematic tilts with bottom-up ESG analysis. The process differs from the equity process in certain respects, due to differences between the asset classes and the larger number of securities covered.

ETHICAL SCREENING

Negative screens typically exclude the following sectors: tobacco, alcohol, armaments, pornography, tar sands, fossil fuel extraction, gambling and predatory lending.

A THEMATIC APPROACH

Within fixed income, we prefer lending to entities whose activities we believe contribute to sustainable growth and/or generate positive externalities.

We implement this preference through structural limitations for sectors or activities in decline or those that confer higher ESG risk. Examples include oil & gas, mining, automotive, plastics and industrials. Our focus on issuers that we believe can contribute to sustainable growth leads to overweight allocations in our portfolios versus the benchmark to sectors such as renewable energy infrastructure, housing associations, education, public transport and the not-for-profit sector (please see the graphic below).

We combine our thematic investment approach with fundamental credit risk analysis to identify target assets in eight categories.

BOTTOM-UP ESG CREDIT RATINGS

We have developed a proprietary ESG scoring system for fixed income issuers. It uses a materiality map for sector risk weights and issuer-reported data points to determine E, S and G scores for each issuer. This enables us to identify the issuers with the best data metrics while helping us to determine relative value/risks for investment decisions.

Thanks to the data collection, we can engage with issuers on how our investments can further promote enduring growth.

Charitable enterprises	Education & student housing	Government social housing partnerships	Housing associations
Public transport	Renewable energy infrastructure	Green, social and sustainability	Not-for-profit and mutuals

CALCULATING AN ESG CREDIT RATING

We use a seven-step process to calculate ESG credit ratings for the issuers in our universe. We only own securities from issuers rated as ESG investment grade (BBB or above).

The process includes:

1. **Creating a materiality map** to assess ESG exposure in each industry sector. For every sector we assign a risk score from 1 (low risk) to 3 (high risk) for each of the 15 measures in the SIM (see the earlier description of our SIM).
2. **Determining sector weightings.** The risk scores allow us to determine the relative weightings given to E, S and G for each sector. E.g. transport will have a higher weighting on E, universities on S, banks on G, and so on.
3. **Setting issuer score ranges to reflect sector weightings.** With the sector weightings, we can determine the guidance range for the issuer scores between 0-10. E.g. issuers in the energy sector, which has a high E risk, might not be able to achieve an E score outside the range 0-4. Conversely, supranationals, having a low G risk, might have a guidance range of 8-10 for their G scores.
4. **Collecting security-level ESG performance data.** We generate raw scores for E, S and G for all the issuers in our coverage universe using data from Bloomberg. Where Bloomberg data is not available, we undertake internal analysis. Data gaps tend to occur for some private issuers we have selected owing to their social or environmental benefits (see earlier description of our thematic approach to fixed income investment). Consequently, ESG concerns are often less material in these cases.
5. **Manual review.** Analysts review the system-generated E, S and G scores for each issuer to ensure they are appropriate. They may adjust the scores by a maximum of +/- 2 notches (minimum step in rating change). In cases where there is overlap with the equity analysis, scores are cross-referenced for consistency.
6. **Overall ESG score.** We calculate the overall ESG numerical score by taking the weighted average of the E, S and G scores.
7. **Convert to letter rating.** We convert the numerical scores (1-10 scale) to an ESG credit rating (AAA-CCC) below.

UPDATES IN 2023

In 2023, we:

- Reviewed the fixed income ESG process, updated the materiality map and made changes to the way we approach the SIM for greater alignment with equities;
- Drew up a CAL for fixed income and carried out an NZAA for those entities;
- Continued to develop a high-level framework for climate stress-testing in line with our NZAM commitment (see case study discussed earlier); and
- Undertook over 29 engagement activities, particularly in the banking and real estate / housing association space focused on our key thematic priorities: climate change and governance.

ESG CREDIT RATINGS

AVERAGE ESG FACTOR SCORE	INDICATED ESG RATING
8.5 to 10	AAA
7 to 8.5	AA
5 to 7	A
3 to 5	BBB
2 to 3	BB
1 to 2	B
0 to 1	CCC

Source: Sarasin & Partners, 31 December 2022

See an example of such ESG credit analysis for Southern Water and Dŵr Cymru in **Principle 5**.

ALTERNATIVES

We invest in alternative assets through closed-end fund vehicles and open-ended UCITS listed primarily on the London Stock Exchange (LSE). We focus on those that invest in private equity, renewable energy, infrastructure and real estate assets.

ESG INTEGRATION

Just as we integrate ESG into our equity and fixed income investment processes, an assessment of our target funds' ESG and stewardship performance is integral to our due diligence process. Alongside a detailed evaluation of the investee vehicle's governance structures, we seek confirmation that investees integrate ESG measures in their investment process, including climate risk and any social risk exposures. Where we have concerns, we engage with the board and at times, an investment manager of the relevant investment vehicle.

Boards of the LSE-listed investment companies generally enter into investment management agreements with investment managers to run the day-to-day execution of the strategy. As the investment manager is a separate entity and exercises discretion over the management of the investment – and there are several investments with different profiles – the analysis of ESG characteristics in this structure is more complicated than in typical corporate structures. We ask for evidence that this integration is meaningful and thus impacts investment decision-making. Further, we seek vehicles that take their stewardship responsibilities seriously, with evidence that they will proactively engage with underlying investments where concerns arise.

Finally, we focus on the governance structure of the investment vehicles themselves. Boards are often not sufficiently skilled or motivated to look under the surface of what the investment manager tells them. We have seen examples of poor execution of the strategy where the board was not able to act quickly and decisively. We have also seen issues with related-party dealing on non-market terms and even fraud at the level of the investment manager that the board have not understood in a timely manner. This is aggravated by the absence of an internal control function at investment trusts.

Our analysis of these governance issues provides a basis for engaging with our investment companies. We have also reached out to the Association of Investment Companies to explore how we might catalyse improved governance practices across the industry.

ETHICAL SCREENING

As for equities and fixed income, negative screening is in place for a range of harmful activities such as weapons production, alcohol, tobacco, gambling and thermal coal. Our ethical restrictions materially reduce our uncorrelated (absolute return) universe, excluding a large proportion of equity long/short and event-driven funds.

INTERACTION BETWEEN ESG INTEGRATION AND ACTIVE OWNERSHIP

As noted in the introduction to this Principle, this discussion has focused on one pillar of three in our stewardship approach: ESG integration. We discuss pillar two (active ownership) in **Principles 9-12** and pillar three (our market outreach work) in **Principle 4**. It is worth underlining that these three pillars are not separate. They regularly interact with each other, thereby improving the quality of our analysis and the impacts that we have.

For example, where we have identified areas of concern in our SIM analysis, we flag them for engagement once the stock is bought. Where we find amber or red issues, we will normally write to the company's board to raise these issues, subject to minimum holding size criteria. These are issues that may also influence our voting at shareholder meetings.

Our engagement work is, in turn, intended to have an impact and thereby lead to improvements in our SIM and help underpin investment conviction. The case of Chipotle, a US fast food operator, is provided below.

CASE STUDY: INVESTMENT IMPLICATIONS OF CHIPOTLE ENGAGEMENT

We started engaging with Chipotle in 2023, focusing on workers' rights. The hospitality sector is one that has high incidences of weak employee protection for pay and conditions. Chipotle had been reported to have historically underpaid minor workers, and social media references suggested there had been discrimination based on union membership.

Our engagement with the company provided evidence of independent audits of working hours. Additionally, the board has now made explicit reference in its 2023 Code of Ethics of adherence to the International Labour Organization convention. These engagement insights led us to upgrade the red SIM on employees to amber, along with an upgrade of the stock's ESG rating to a C+. We reduced the ESG 'penalty' factored into our weighted average cost of capital by 0.25 of a percentage point, and thus upgraded our fair value by 7%.

See details of other engagements in **Principles 9** and **10**.

PRINCIPLE 8

MONITORING MANAGERS AND SERVICE PROVIDERS

Sarasin & Partners selects our ESG and stewardship service providers via a competitive process, where criteria include the robustness of their analytical methodology that would facilitate our ESG integration. They are evaluated through a formal half-yearly feedback process, as well as continuous monitoring.

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.

We draw upon multiple specialist ESG providers that include: MSCI ESG research, ISS proxy analysis, HOLT, Diligent, Moody's (Four Twenty Seven) Physical Risk Hazards service, GaiaLens and S&P ESG Scores and Bloomberg ESG data, as well as our network of expert sources and services. In terms of more conventional financial analysts and brokers, over the last few years we have shifted towards those who are developing more sophisticated ESG data and analysis.

Quality is assessed and verified at the point of use. Department-wide surveys are carried out every six months to assess the value of each counterparty to each team member. The results of these surveys are combined with usage data to make an informed judgement on the value of each provider.

In instances where we see a disconnect, we can either communicate a need to improve performance or terminate the agreement. In 2023 we terminated three counterparty agreements and adjusted the level of service of others to better align them with our assessment of value.

Examples of engagement with providers include a post-proxy season review with ISS to address any outstanding issues with the application of their custom proxy research.

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 of business-critical outsourced services includes compliance with contract requirements, adequacy of business continuity and disaster recovery plans (including any exit strategy). Our oversight includes a periodic review of the service quality and effectiveness.

We updated our internal supplier engagement policy in 2022 to require all new key suppliers to have an initial ESG due diligence done by the relevant internal relationship manager. This aims to ensure that our suppliers follow responsible business practices and includes consideration given to anti-modern slavery, environmental concerns and commitments and diversity and inclusion.

CASE STUDY: ADDITION OF NEW SERVICE

During 2023 we had discussions with ISS about its voting disclosure service. We worked with our client teams to assess the potential added value for our clients. We also performed an assessment of any risks of integrating this outsourced reporting tool to the Sarasin website. We consulted with the legal and compliance teams on the disclaimers that would address these risks. We also worked with ISS on including relevant disclaimers on their web page. We managed to successfully resolve all the issues and added this new tool to the voting page on the website, under the name proxy voting dashboard.

NETWORKS AND INITIATIVES

Under **Principle 4** we detail a broader range of initiatives and third-party entities with whom we interact.

These may be in the form of formal memberships or signatories to specific initiatives that are supportive of our company and market wide-outreach.

Examples include the International Corporate Governance Network, the Institutional Investor Group on Climate Change, the World Benchmarking Alliance Ethical AI Collective Impact Coalition and Find It, Fix It, Prevent It. With all these relationships, our stewardship team undertakes an annual review to determine whether we will continue our support. In 2023 we discontinued involvement with one of the initiatives.

PRINCIPLE 9

ENGAGEMENT

Our engagement work means that we maintain communication with the board and management of our investee companies. Through this we aim to address identified adverse impacts for society or the environment, strategic questions and/or governance failures, with a view to protecting and enhancing our clients' capital.

The collective failure of asset owners and managers to properly monitor and hold executives to account is widely viewed as a weakness in capital markets. In the end, a passive approach to ownership risks making all of us worse off if capital is inappropriately allocated, harmful externalities ignored, executives not held to account and short-term results prioritised over long-term productive investment.

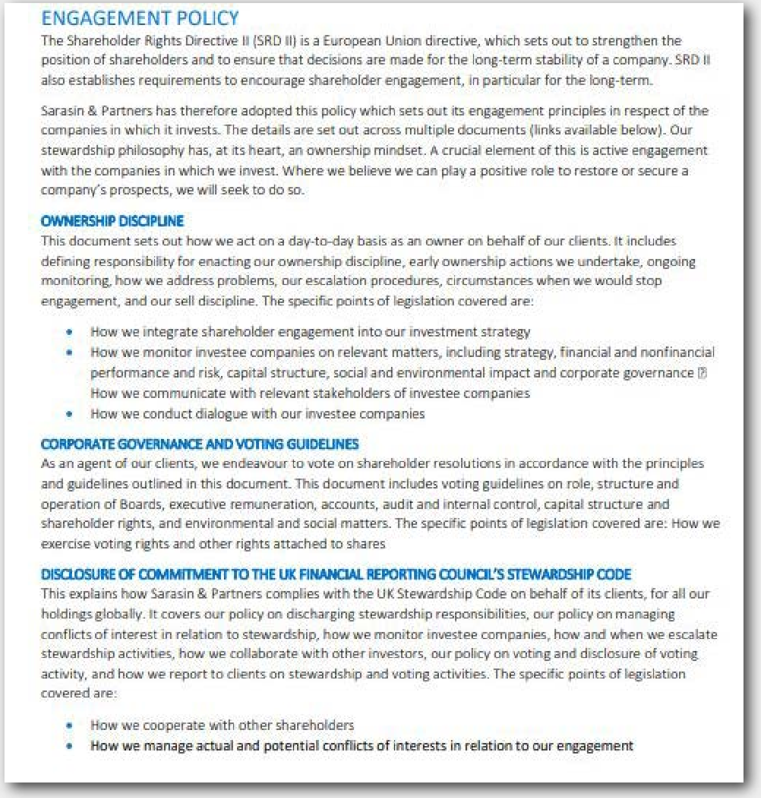
As set out under **Principle 1**, Sarasin & Partners' investment philosophy has an ownership mindset at its core. We stay close to our clients' companies, not just to ensure we can monitor developments and the persistence of long-term value drivers, but also so we can effectively scrutinise and hold management to account for their performance.

We provide details on our voting and use of proxy advisers under **Principle 12**.

SRD II DISCLOSURE NOTE

In line with the Shareholder Rights Directive (SRD) II, the Financial Conduct Authority's (FCA's) Conduct of Business Sourcebook (COBS) rules 2.2B.51 (a) and (b) require 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 advisers. Under this principle, we provide a summary of Sarasin's engagement policy, as also set out on our website.



ENGAGEMENT POLICY

The Shareholder Rights Directive II (SRD II) is a European Union directive, which sets out to strengthen the position of shareholders and to ensure that decisions are made for the long-term stability of a company. SRD II also establishes requirements to encourage shareholder engagement, in particular for the long-term.

Sarasin & Partners has therefore adopted this policy which sets out its engagement principles in respect of the companies in which it invests. The details are set out across multiple documents (links available below). Our stewardship philosophy has, at its heart, an ownership mindset. A crucial element of this is active engagement with the companies in which we invest. Where we believe we can play a positive role to restore or secure a company's prospects, we will seek to do so.

OWNERSHIP DISCIPLINE

This document sets out how we act on a day-to-day basis as an owner on behalf of our clients. It includes defining responsibility for enacting our ownership discipline, early ownership actions we undertake, ongoing monitoring, how we address problems, our escalation procedures, circumstances when we would stop engagement, and our sell discipline. The specific points of legislation covered are:

- How we integrate shareholder engagement into our investment strategy
- How we monitor investee companies on relevant matters, including strategy, financial and nonfinancial performance and risk, capital structure, social and environmental impact and corporate governance How we communicate with relevant stakeholders of investee companies
- How we conduct dialogue with our investee companies

CORPORATE GOVERNANCE AND VOTING GUIDELINES

As an agent of our clients, we endeavour to vote on shareholder resolutions in accordance with the principles and guidelines outlined in this document. This document includes voting guidelines on role, structure and operation of Boards, executive remuneration, accounts, audit and internal control, capital structure and shareholder rights, and environmental and social matters. The specific points of legislation covered are: How we exercise voting rights and other rights attached to shares

DISCLOSURE OF COMMITMENT TO THE UK FINANCIAL REPORTING COUNCIL'S STEWARDSHIP CODE

This explains how Sarasin & Partners complies with the UK Stewardship Code on behalf of its clients, for all our holdings globally. It covers our policy on discharging stewardship responsibilities, our policy on managing conflicts of interest in relation to stewardship, how we monitor investee companies, how and when we escalate stewardship activities, how we collaborate with other investors, our policy on voting and disclosure of voting activity, and how we report to clients on stewardship and voting activities. The specific points of legislation covered are:

- How we cooperate with other shareholders
- How we manage actual and potential conflicts of interests in relation to our engagement

SARASIN'S OWNERSHIP DISCIPLINE

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

This process details the steps we take as an owner on behalf of our clients from the time we purchase a material quantum of shares. These include monitoring, voting and addressing problems, as well as escalation steps where these become necessary. It helps to ensure structure and that we remain results-oriented. It also sets out criteria for where inadequate company action may lead to a sale.

An overview of the process is presented in the schematic to the right.

EARLY OWNERSHIP

Following the purchase of a minimum threshold value of a company's shares, we write to the company's leadership – normally the company chair or lead independent director (LID) of the board where the chair is not independent – to introduce ourselves, outline the basis for our investment thesis and describe the identified areas for engagement. The minimum threshold is set to ensure we focus our energies on those entities where our clients have a material exposure.

MONITORING AND VOTING

Our ongoing monitoring involves regular exchanges through calls and/or face-to-face meetings with senior executives, and, wherever possible, the company chair, LID or other non-executive and independent board members. We exercise our votes according to our Corporate Governance and Voting Guidelines. 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 and 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 the form of a letter.

SCHEMATIC OF SARASIN'S OWNERSHIP DISCIPLINE

EARLY OWNERSHIP

- Identify engagement priorities – flow from ESG traffic lights (SIM) & stewardship priority themes
- Introductory letter to the board chair / lead independent director

MONITORING & VOTING

- Ongoing monitoring by analysts and stewardship specialists
- Voting
- Post-proxy letters

ADDRESSING CONCERNS

- Increase dialogue with board
  - Jointly led by stewardship specialists and analysts
  - Written and in person

ESCALATION

- Company engagement plan
- Coalition building
  - Investor groups
  - Other asset owners and managers
- Tactical voting and AGM action
  - Voting against directors, auditor, annual report
  - Pre-announcement
  - Shareholder resolutions
- Complaints to regulator
- Public outreach

INVESTMENT IMPLICATIONS

- Engagements feed into investment decision-making
- **Triggers:**
  - Sustainable Impact Matrix (SIM) upgrade / downgrade
  - Fair value adjustment
- **Sale** due to lack of engagement response and heightened view of risks to capital
- **Purchase** due to increased conviction

Tracking our engagements through internal engagement tracking platform
Weekly updates to global equities buy-list meeting
Vigilance on how this feeds into investment thesis and valuation

Source: Sarasin & Partners, 2023

ESCALATION

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 details the goal of the engagement, the 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 the necessary internal communication, review and legal checks are actioned. See details and examples of this in **Principle 11**.

IMPACT

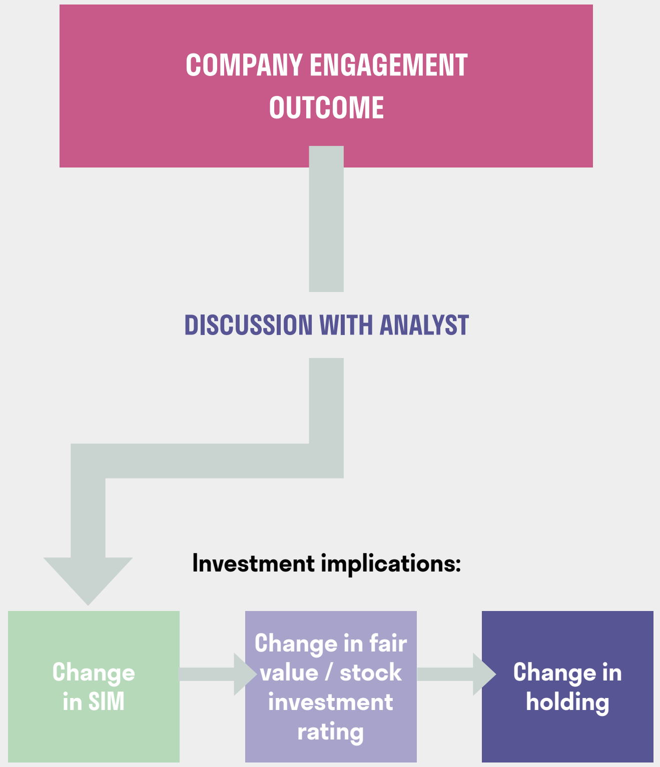
We track the progress and outcomes of our engagements in two categories.

Company impact – First, we track whether an engagement has achieved the intended behavioural change within the targeted company. Where we identify a moderate step forward, such as a commitment to make a change, we view this as achieving a 'milestone'. Where an interim target has been achieved, this will be recorded as an 'impact'. Where the goal has been fully achieved, we will mark it as 'goal achieved'. See the exact definitions in **Principle 5**.

Investment implications – Second, we consider whether the company milestones or impacts achieved through our engagements, or other related insights gained, have implications for our investment thesis and holdings. Normally, where an engagement goal has been achieved, this would be reflected in an upgrade in the relevant SIM measure (see **Principle 7**), which in turn leads to a re-examination of key valuation assumptions. In cases where the review results in a change to the stock's investment rating (strong buy, buy, hold or sell), this will filter into buy / sell decisions for individual investment strategies (see schematics and explanation on the right).

We record actions, milestones and impacts in our internal engagement tracker. Progress of live engagements is discussed routinely with relevant analysts and portfolio managers, as well as at our weekly global equities buy-list meeting.

INVESTMENT IMPLICATIONS OF ENGAGEMENTS



SELL DISCIPLINE

Sometimes, difficulties with an engagement will lead us to sell the investment. Just as we are committed to fulfilling our clients' ownership responsibilities, it is as important for us 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 is limited, or where we fail to achieve our objective.

Even where an engagement is progressing well, 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 swift 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 instruction.

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. This is one reason why we have tended to have relatively low exposure to emerging markets.

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

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

- Materiality of our holdings (i.e. assets under management (AUM)), considering both equity and debt (we discuss our approach to fixed income later in this principle);
- Materiality of ESG concerns for the company or the adverse impacts for the market, environment or society more broadly; and
- Feasibility – our ability to drive change. We also consider a possible ripple effect, i.e. whether an engagement has the potential to catalyse behavioural change in the market.

The overarching point is that we have a long-term stewardship mindset and wish to maximise our impact. We want to ensure our clients' investee companies behave in alignment with a sustainable society, not at its expense.

In some instances, we engage with companies that we do not hold, normally where we see the potential for a powerful ripple effect in the market. Our ongoing engagement with Shell is one example of this. These engagements are part of our market-wide efforts discussed under **Principle 4**.

In line with our current stewardship initiatives outlined in **Principle 1**, our primary focus areas in 2023 were:

- Climate risk management and transition to net zero, with a focus on improved financial statement disclosures;
- Social issues across value chains, including diversity and inclusion, labour rights and human rights; and
- Company-specific governance concerns.

Notable company engagements in 2023 were:

- **Climate:** Air Liquide, DS Smith, Rio Tinto, CRH, Equinor, JPMorgan, HSBC, ING Bank, CME Group, Deere and IGO
- **Social:** Places for People, Tencent, Chipotle, Cranswick, Barratt Developments, Oxford Instruments and Unite Group, Amazon
- **Governance:** Illumina, Samsonite, Smith & Nephew, Middleby, Otis Worldwide, IGO and US Solar Fund

RESOURCES

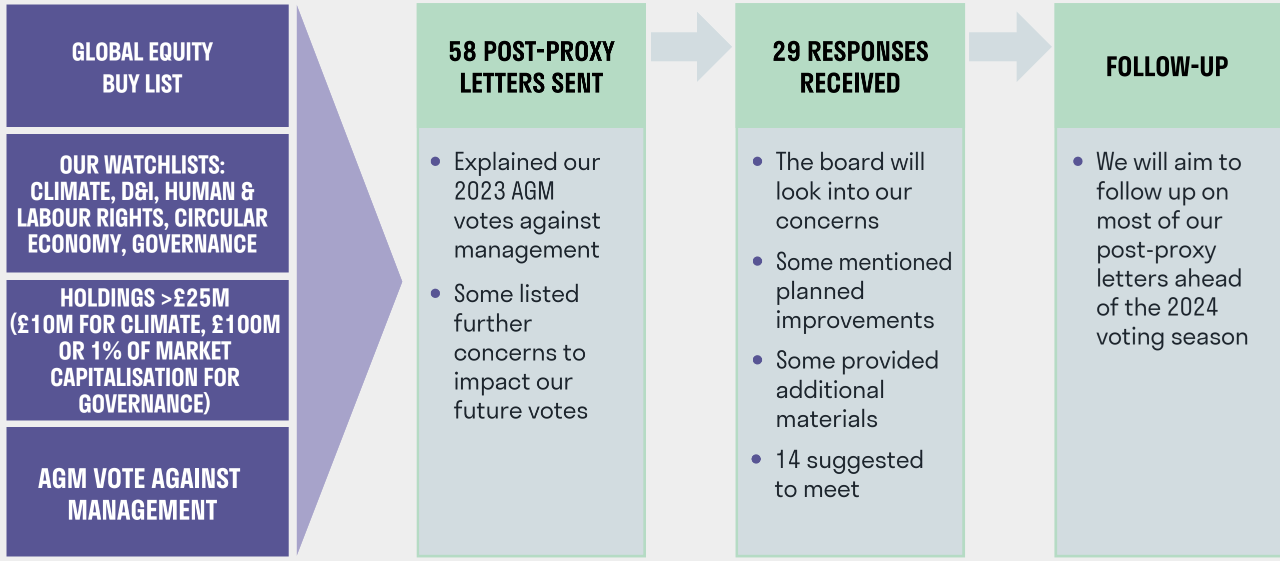
Everyone in our asset management team is responsible for implementing our ownership discipline. Our stewardship team leads engagements, supported by the relevant analyst. Our integrated approach is designed to bring together different skill sets to ensure we adopt a holistic and successful engagement.

PROCESS

We usually 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 more personal relationships with companies and receive more tailored responses to our questions.

CASE STUDY: POST-PROXY LETTERS

Post-proxy letters play an important role in the engagement cycle. They ensure that companies understand our ESG concerns and the rationale behind our voting, and provide a regular prompt for in-person discussions on actions to improve performance.



REPORTING

As discussed under **Principle 6**, we provide quarterly reports on our ownership activities to clients and, where appropriate, updates on our website. In our reports, we provide examples of our most impactful stewardship activities. Our engagement tracker and engagement reporting tool allow us to provide summary statistics on our engagements and their results at a portfolio level.

Statistics for 2023 are presented in the charts overleaf, followed by case studies.

A SUMMARY OF OUR 2023 ENGAGEMENT ACTIVITY

Our engagement activities are recorded as **goal-linked activities (GLAs)**. A GLA represents any type of interaction with the company on a single goal. In cases where we have an interaction with a company that covers more than one goal, this will be recorded as the relevant number of GLAs. This allows us to keep the most accurate record of our focused engagements.

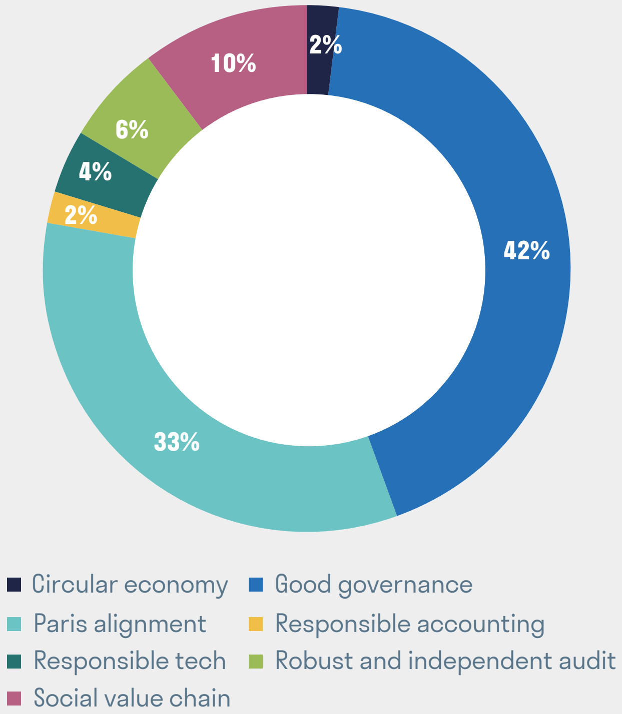
663 goal-linked activities

133 companies engaged

25 goals covered

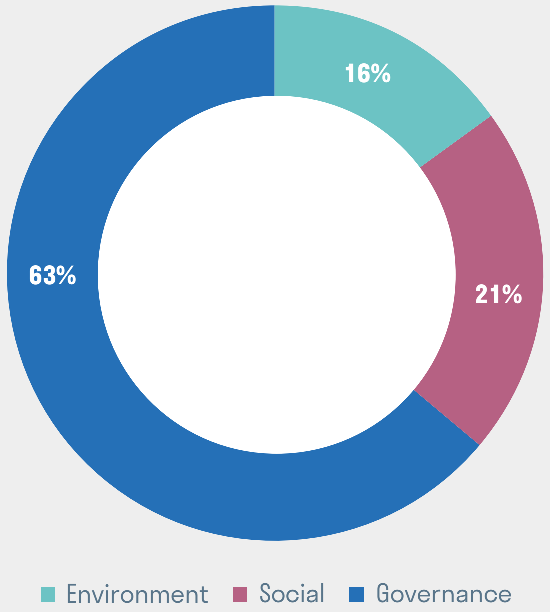
WE CATEGORISE ANY ENGAGEMENT INTERACTION WITH A COMPANY ON A SINGLE GOAL AS A GOAL-LINKED ACTIVITY (GLA). WHERE WE HAVE AN INTERACTION COVERING MORE THAN ONE GOAL, WE RECORD THIS AS MORE THAN ONE GLA.

CHART 1: BREAKDOWN OF GLAs BY INITIATIVES (%)



Source: Sarasin & Partners. Data for the period 01.01.2023 – 31.12.2023

CHART 2: BREAKDOWN OF GLAs BY SIM (ESG) PILLARS (%)



Source: Sarasin & Partners. Data for the period 01.01.2023 – 31.12.2023

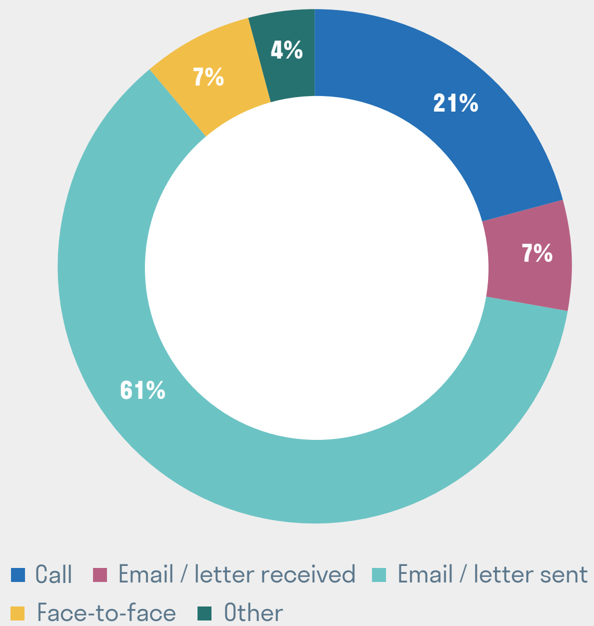
TABLE 1: OUTCOMES SUMMARY

OUTCOME TYPES*	GOALS	COMPANIES	ENGAGE-MENTS	GLAs
Action	25	130	420	92%
Milestone	8	9	15	2%
Impact	17	15	30	6%
Grand total	**25**	**133**	**435**	**100%**

One goal can have multiple outcomes associated with it. Similarly, engagement with companies can have more than one outcome. An engagement is regarded as a range of activities with a specific company focusing on a specific goal. Where company-linked activities cover two goals, it is recorded as two engagements.

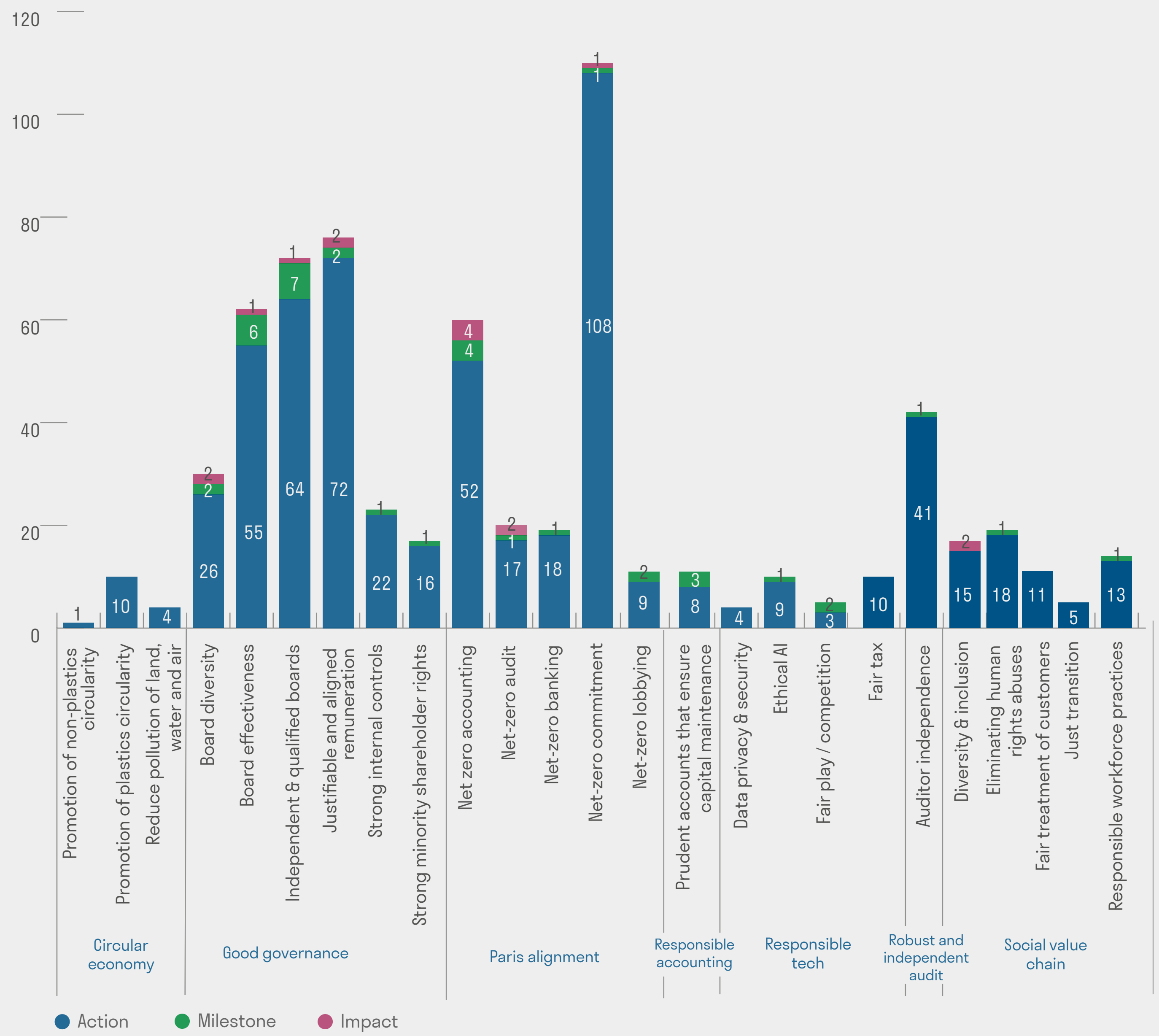
*NOTE: The statistics of outcomes on GLAs may be not fully correct due to an existing bug in our internal workflow system, whereby outcomes are assigned to engagement activities rather than individual GLAs.

CHART 3: BREAKDOWN OF GLAs BY ACTIVITY TYPE (%)



Source: Sarasin & Partners. Data for the period 01.01.2023 – 31.12.2023

CHART 4: BREAKDOWN OF GLAs BY GOAL AND OUTCOME



Sarasin & Partners, period 01.01.22 - 31.12.23

NOTE: The statistics of outcomes on GLAs may be not fully correct due to an existing bug in our internal workflow system, whereby outcomes are assigned to engagement activities rather than individual GLAs.

EQUITY ENGAGEMENT

CLIMATE CHANGE CASE STUDIES

As underscored in our Net Zero Asset Managers (NZAM) Action Plan, we prioritise the achievement of real-world emissions reductions within the sectors and companies in which we invest, rather than simply seeking to take emissions out of portfolios through divestment.

We do not believe that a singular divestment approach is in keeping with the Paris goals because investors have a vital role to play in pressing carbon-intensive companies to change course. For engagement to deliver the needed impacts, however, it needs to be undertaken with purpose and tenacity. As such, it is important that our clients have sufficient visibility of our efforts and impacts to gain comfort that we are delivering on our commitments to them.

In relation to the 'Paris alignment' engagement initiative, we engaged with **87 investee entities through 209 goal-linked activities in 2023** across equity, fixed income and alternatives.

TABLE 2: ENGAGEMENT ACTIVITIES ON THE PRIORITY INITIATIVE 'PARIS ALIGNMENT' PER GOAL

	Net-zero commitment	Net-zero accounting	Net-zero audit	Net-zero banking	Net-zero lobbying
Action	108	52	17	18	9
Milestone	1	4	1	1	2
Impact	1	4	2	0	0
Total	**110**	**60**	**20**	**19**	**11**

Source: Sarasin & Partners. Data for the period 01.01.2023 – 31.12.2023

Note: The statistics of outcomes on GLAs may be not fully correct due to an existing bug in our internal workflow system, whereby outcomes are assigned to engagement activities rather than individual GLAs.

Two examples of equity engagements where we believe we have had a demonstrable impact are provided below. Further on in this section we provide a broader (non-exhaustive) selection of our climate-related engagements and their impacts.

CASE STUDY: AIR LIQUIDE

THE ISSUE

As a global industrial gases business, Air Liquide has one of the highest carbon footprints of all our holdings, with total emissions more than those of Ireland in 2022.[1] The carbon intensity is due to carbon released in the production of hydrogen gases, and also due to the energy intensity of its air separation units. In addition, Air Liquide's customers are often highly carbon-intensive, including companies in chemicals, metals, refining and energy.

Air Liquide's large carbon footprint means it has a vital role in helping the world deliver net-zero emissions. Following our (and others') engagement since early 2019, Air Liquide put 1.5°C-alignment at the core of its strategy in 2022. Supported by science-based targets, Air Liquide is pivoting towards green hydrogen and carbon capture and sequestration to ensure it prospers as global decarbonisation accelerates.

THE GOALS

Having achieved two of our three goals identified in our initial engagement plan from February 2021, our current goals are focused on supporting the board to:

1. Strengthen the company's scope 3 commitments;
2. Align executive incentives with a 1.5°C-pathway through the adoption of a net-zero underpin;
3. Publish an annual lobbying review to demonstrate adherence to its 1.5°C-alignment commitment;
4. Report on its physical risk exposure and steps to manage these risks; and
5. Ensure any material consequences from the anticipated physical impacts of climate change are included in the annual accounts, alongside a sensitivity analysis to a 1.5°C-pathway.

WHAT WE DID

In 2023 we continued to support the CA100+ engagement while maintaining a bilateral dialogue with the company. Following our collective investor letter to the audit committee chair in December 2022, we held further discussions with the investor relations (IR) team. Due to the enhanced disclosures we saw in Air Liquide's 2022 annual report, we did not pre-declare any AGM votes as we had done last year. We abstained on the financial statements, but continued to vote against the auditor and remuneration, as further improvements are needed to fulfil our Corporate Governance and Proxy Voting Guidelines expectations. We wrote to the chair in November to explain our voting and outline key steps we would support the board in taking.

OUTCOMES

We have seen significant progress at Air Liquide since we began our engagement in 2019; not least the introduction of a new strategy aligned with a 1.5°C-pathway; science-based targets and enhanced climate-related disclosures in their annual report.

Over the past year:

- Air Liquide offered more quantitative information on how critical accounting assumptions consider climate commitments;
- For the first time, the auditor, PwC, included commentary on how it considered climate factors in its audit process, but this remained high-level; and
- We were pleased to see steps taken to strengthen independence on the board. In particular, the audit committee became fully independent, in line with our engagement ask.

NEXT STEPS

We will continue supporting Air Liquide to drive decarbonisation, which we believe offers substantial economic opportunities. We will pursue the key goals highlighted above through our bilateral engagements, aligned voting and support for the CA100+ collective initiative.

CASE STUDY: DS SMITH

THE ISSUE

DS Smith is a supplier of sustainable fibre-based packaging, operating in Europe, the US and Canada. Its focus on product circularity (recyclability) and net zero has become increasingly prominent in the company's strategy since we began our engagement with the company in 2019. Today, DS Smith views sustainability as central to its market differentiation as it taps into rising demand amongst its customers (major global consumer brands) to ensure more environmentally conscious packaging.

THE GOALS

Our engagement goals at DS Smith have evolved to reflect progress following progress made (see Outcomes below). We currently have four key objectives:

- Climate – we wish to have more quantitative detail on scenario analysis, risks and opportunities, and a 1.5°C sensitivity analysis in the financial statements;
- Governance – we would like to see the CEO step down from the nominations committee due to conflicts of interest that arise where a CEO is involved in deciding who will become non-executive directors charged with holding him to account;
- Remuneration – we would like to see a larger shareholding requirement for the CEO and CFO and an increased level of stretch in key performance criteria; and
- Diversity – we would encourage the board to set out credible plans for reaching 40% gender diversity.

WHAT WE DID

We have engaged with the CEO, CFO and the chair since 2019. In 2023, we held further discussions with DS Smith's executive team and sent a letter to the chair in November outlining the rationales for our voting decisions and areas where we would like to see further efforts.

Our voting at the 2023 AGM reflected our engagement priorities, with votes:

- Against the chair over unaddressed governance concerns;
- Abstention on the remuneration committee chair;
- Against the remuneration report as we seek further action; and
- Abstentions on the financial statements, auditor and audit committee chair, reflecting outstanding gaps relating to climate-related sensitivity disclosures.

OUTCOMES

Since beginning our engagement with DS Smith we have seen progress on key engagement asks, particularly relating to sustainability.

In 2021, DS Smith made a commitment to align its strategy with a 1.5°C-pathway, and its 2030 emission reduction targets were ratified by the SBTi in January 2022. It has published a 10-year sustainability strategy covering waste, recycling, water and biodiversity protection alongside climate change. It is continuing to invest in research to enhance circularity and to bring down its emissions in line with commitments.

We have also seen advances on remuneration, with senior executives' pensions aligned with staff, stronger clawbacks and the introduction of an ESG (including climate) underpin.

In 2023, DS Smith introduced a disclosure of how climate risks have been considered in the financial statements, meeting a core engagement ask.

NEXT STEPS

We will continue to press DS Smith for further disclosure in line with our engagement objectives. In addition to continued dialogue with the CEO and CFO, we hope to meet with the chair in early 2024 and will continue to apply our governance and voting policy, including the net-zero voting provisions.

[1] https://edgar.jrc.ec.europa.eu/report_2023

SELECTION OF CLIMATE ENGAGEMENTS FROM 2023

COMPANY	ENGAGEMENT GOAL & LATEST ACTION	OUTCOMES, CURRENT STATUS & NEXT STEPS
JPMorgan (equity & credit)	**Goal:** Seeking limits on financing of non-aligned activities; SBTi validation of sector pathways; disclosures on stress-testing; climate-related financial disclosures; 1.5°C-aligned lobbying. **Actions:** Call with IR to discuss governance & climate concerns raised in recent letters to board. Sent post-proxy letter (PPL) to lead director.	**Milestone:** 2023 Climate Report published, which includes new sector targets (shipping & aluminium); aligned all sectors with IEA's 2050NZE scenario, absolute financed emissions disclosures; updated heatmaps with value of credit portfolios exposed to high transition & physical risks. **Next steps:** Follow up on PPL. Explore investor coalition focused on accounting disclosures.
ING Bank	**Goal:** Ensuring net-zero commitment implemented through financing conditionality; improved financial disclosures; capital adequacy impacts and 1.5°C-aligned lobbying commitment. **Actions:** Call with coalition of investors to discuss net-zero alignment; follow-up email to IR focused on financial statement disclosures and capital adequacy; PPL sent to chair.	**Status:** ING is leader amongst banks when it comes to net-zero alignment, but there remains a gap between its commitments and willingness to adopt financing conditionality. **Next steps:** Follow-up call with chair; participation in investor collective engagement.
CME Group	**Goal:** Net-zero commitment and strategy to deliver climate hedging services to clients. CME is the world's largest derivatives exchange and can offer clients vital risk management tools for expected increased volatility, resulting from physical and transition risks. **Actions:** Call with lead director and B-shareholder representative. PPL sent.	**Status:** CME lacks a clear climate strategy or understanding of the relevance of climate risks to their core business. They are a natural hedge to climate risk, as they should benefit from increasing demand for risk management tools (e.g. weather, commodities, metals, energy hedging). **Next steps:** Follow-up discussion on PPL.
Deere	**Goal:** Seeking more detailed transition plan, which incorporates farm-based decarbonisation (scope 4) where Deere has the greatest opportunity for a positive real-world impact; and net-zero aligned accounting disclosures. **Action:** Following calls with the head of sustainability (Aug), lead director (Sept) and CEO (Sept), follow-up to request Deere initiating agriculture workstream in Mission Possible; financial statement disclosures; and physical risk-mapping disclosures. Sent PPL to lead director.	**Status:** Deere has 1.5°C-aligned SBTi scope 1-3 targets for 2030 and is strategically aligned with delivering smart agricultural equipment to farmers that optimises their use of inputs, saving costs for farmers and reducing environmental footprint. Undertaking research and development on low-carbon farm equipment, including light and heavy tractors. **Next steps:** Meet to discuss PPL and apply climate voting policy.
IGO	**Goal:** To press for explicit net-zero commitment, SBTi-aligned 2030 targets and a transition plan. **Action:** Meeting with chair to discuss governance and climate concerns raised in introductory letter.	**Status:** While its business is aligned with the energy transition (rising demand for lithium and nickel), IGO lacks clear 1.5°C-aligned targets or a credible transition plan. Weak performance in 2023 due to subdued lithium price. **Next steps:** Follow-up meeting with the chair in Q1 2023.

Source: Sarasin & Partners. Period 01.01.2023 – 31.12.2023. Note: We only list one goal per company, with associated milestone / impact, while other goals often exist for the same company.

CIRCULARITY CASE STUDY

Circularity is one of our priority stewardship topics where we pursue the acceleration of a sustainable circular economy with a particular focus on plastics. We want to see companies across our portfolios reduce dependence on virgin plastic through addressing issues associated with the full lifecycle of plastics, through the design of reusable and recyclable products, as well as materials.

CASE STUDY: KONINKLIJKE AHOLD DELHAIZE

THE ISSUE

Ahold Delhaize is a multinational food retail company. While they had made some progress on reducing plastic packaging, they reported that they expect to miss their 2025 target of 100% reusable, recyclable or compostable own-brand plastic packaging. As an intensive user of plastic packaging, their slower progress on circularity has resulted in a red score in our SIM analysis.

THE GOALS

We engaged with Ahold to obtain greater clarity about their progress, challenges and plans for improvement.

We would also like to see:

- More consistent and transparent disclosures;
- Advocacy for industry-wide progress; and
- Advocacy for a more robust policy framework to support this progress.

WHAT WE DID

We had a productive and detailed discussion with IR. We underlined our expectations and listened to the company's views and plans with respect to reporting, faster action on plastics reduction and increased reuse / refillable containers and consideration of supporting industry coalitions such as the Business Coalition for a Global Plastics Treaty.

OUTCOMES

The company provided clarity on the reasons behind its slower progress, including the high costs and insufficient availability of post-consumer recycled content. Ahold highlighted that they still demonstrated a slight downward trend in the use of plastic packaging and a slight upward trend in the use of compostable content, demonstrating that progress towards the target, even if delayed, is positive.

They took our concerns on board and expressed strong interest for regular dialogue as they re-evaluate their strategy. They anticipate setting new targets in 2024.

NEXT STEPS

Following our initial discussion, we will monitor the development of their new strategy and continue to press for improvement.

SOCIAL VALUE CHAIN CASE STUDY

Addressing human rights is not just the right thing to do but is also important to manage investment risks.

Where human rights abuse is identified within the business or supply chain, companies are likely to experience cost increases from potential fines and higher labour costs as artificially cheap labour needs to be replaced.

Any associated reputational damage can also result in negative impacts for sales from the loss of contracts and customer boycotts, amongst other things.

In 2023, we commenced targeted engagements with companies in more exposed sectors, encouraging them to take steps towards best practice with respect to labour and human rights. We engaged with **16 companies through 19 goal-linked activities**.

The promotion of diversity and inclusion remains a key focus – we have long incorporated board-level gender diversity guidelines into our voting. In 2022 we included ethnic diversity guidelines for UK and US companies for the first time. Where boards fall short of these guidelines, it raises concerns about groupthink and the risk that appointments are not truly made on merit. We also promote diversity and inclusion within senior management and the wider workforce, with pay equity as a particular focus.

In 2023 we engaged with **22 companies** on board diversity, and separately with **12 companies** on diversity and inclusion beyond corporate boards. With **7** of these companies, we engaged on both topics.

CASE STUDY: TENCENT HOLDINGS

THE ISSUE

Tencent is a leading provider of social networking and online gaming, as well as fintech and business services. It has the largest online user platform in China. We have written to the company since 2021 to engage on areas of concern, without response.

Over the past year we wrote to the chair to initiate dialogue again, specifically focusing on diversity, working conditions and ethical AI.

THE GOALS

We wanted to speak with the chair or management to explain our view and encourage adherence to best practice in these three areas.

WHAT WE DID

We were pleased to receive a response to our letter and in June we held our first engagement call with the company. We spoke with the IR team, which is based in Hong Kong.

OUTCOMES

At the meeting we received some assurance that Tencent takes data privacy seriously and have controls in place, including external verification from Trust Arc, an international privacy assurance company.

In terms of ethical AI, they feel confident they will meet the government regulations for which the consultation was launched in early 2023. Tencent has provided input to the consultation. The key remaining concern is the scope of potential governmental interference with data privacy. This is a risk across Chinese companies.

On board diversity, where we have had long-standing concerns, we gained comfort they are making progress, particularly as they have set an internal target of 30% female directors by 2030. Tencent plans to meet this target via ongoing recruitment aligned with their revised Board Diversity Policy, which covers gender, age, ethnicity and expertise.

At the wider workforce level, Tencent highlighted initiatives already in place, including diversity, equity and inclusion (DEI) workshops, unconscious bias training, anti-sexual harassment policies and mandatory training. They stated that they comply with equal pay requirements and focus on remuneration, promotion opportunities and upholding a DEI culture.

However, the company was not as forthcoming on the topic of manageable working hours for their employees.

We still consider this somewhat of a breakthrough: as noted above, Tencent has historically not responded to our requests for engagement. We are pleased with this new willingness to speak with investors, but are not marking this as a milestone until we identify further progress on the items raised.

NEXT STEPS

We will build on this initial engagement and look forward to further evidence of improvement.

GOVERNANCE CASE STUDIES

Governance is a constant area of scrutiny for us. Ensuring effective boards requires the right skill sets, strong structures (such as having committees on audit, remuneration and nomination) and the right mindset. On this, diversity of thought, independence and a willingness to challenge are essential ingredients.

It is worth emphasising that engagement on governance issues is not narrowly construed as only relating to the board structure or auditor independence. Rather, it considers broader indicators of good governance, spanning strategy, capital discipline and operational behaviour.

In the end, the board of directors must be equipped to exert effective oversight of management on behalf of investors in order for the company to succeed. As underscored elsewhere in this report, we look to the board to ensure success is achieved in a manner that is aligned with societal interests, not at its expense. In short, good governance is vital to underpin responsible management of environmental and social impacts.

In 2023 we engaged with **78 companies** on governance, covering a range of issues. This included board independence and skills, executive remuneration, auditor independence and internal controls.

We engaged with **31 companies** specifically on board effectiveness linked to concerns over corporate strategy. Triggers for our engagements were weak performance, unexpectedly big and frequent acquisitions, as well as inadequate investor communication that led to worsening market sentiment. We provide an example of Illumina below.

One of our focus areas is boards' independence and refreshment, as well as the ability for shareholders to vote on each director at every AGM.

We see staggered boards as limiting shareholder accountability. See an example of Samsonite below.

We also focus on aligning executive remuneration with the interests of shareholders. We believe an example of Smith & Nephew (see page 76) is interesting from this perspective.

CASE STUDY: ILLUMINA

THE ISSUE

Our investment thesis was based on the strength of Illumina's core business model: developing and selling gene sequencing devices and materials. However, we had significant concerns with regard to the company's governance and specifically, the board oversight of its strategy.

In 2021 the board decided to spend $7.1 billion on fully buying back an early cancer diagnostic firm GRAIL, which Illumina had mostly spun off in 2016. The acquisition prompted a dispute with antitrust regulators on both sides of the Atlantic and created uncertainty. This contributed to the company's share price dropping nearly 60% by the beginning of 2023. It should be noted that much of the fall could be attributed to higher interest rates impacting long-duration equities. However, we did not see enough disclosures around the decision to buy GRAIL.

Additionally:

- The CEO's compensation doubled in 2022 due to a one-off stock options award at 11.5x the base salary, with no performance criteria. This made the CEO's overall variable earnings 23x his fixed remuneration for the year;
- The long-term incentive plan (LTIP) key performance indicators were all linked to the 'core' strategy of Illumina and not to the GRAIL acquisition success;
- Targets for LTIP were not disclosed; and
- The CEO shareholding requirement was 5x the base salary and not 6x as we would expect at a US company.

THE GOALS

Our engagements were aimed at improving governance: both the board's oversight over strategic decisions and the executive remuneration alignment with investor interests.

WHAT WE DID

We engaged with Illumina on several occasions in 2023:

- In March we had a call with the chair to discuss the board's role in the GRAIL issue. At the time, an activist shareholder, Carl Icahn, launched a proxy contest. We also had a call with a dissident director candidate to discuss their position and proposals.
- In May we met with three incumbent directors, as well as the CEO and CFO, to discuss the future of the GRAIL deal, the process through which GRAIL-related decisions were being taken, board composition and executive remuneration issues; and
- At the AGM, we supported two of the dissident candidates and voted against two incumbent directors: the board chair and the chair of the nomination and governance committee. We voted against the CEO and the executive remuneration.

OUTCOMES

We obtained a better understanding of the considerations behind the decision to re-acquire GRAIL.

We remained concerned about some issues, particularly the generous options grant amidst the uncertainty. The board's succession policy was not well explained either: they decided to appoint two new directors in 2023, but did not nominate them for the AGM, for no clear reason.

The AGM led to some positive developments. One of the dissident nominees, Andrew Teno, joined the board. The chair, John Thompson, stepped down. The Say on Pay resolution received exceptionally low support of 13.9% of votes, which forced the board to review the policy. CEO Francis DeSouza received only 71.1% of shareholder support and resigned soon after the AGM. We highlighted this as an impact.

The two new director candidates have subsequently been appointed to the board, and one of them, Steve MacMillan, became the chair. In September 2023, the board announced the appointment of a new CEO, Jacob Thaysen.

Despite new strategic steps and governance changes, we sold Illumina's shares in November on the basis of the damage already done to the business by the lack of strategic oversight for a long period and remaining uncertainties.

CASE STUDY: SAMSONITE INTERNATIONAL

THE ISSUE

We highlighted governance concerns in our post-proxy letters (PPL) sent to the chair in 2022 and 2023. Those include the fact that the chair is not independent (he has served on Samsonite's board for 12 years, including executive experience with the company until nine years ago), yet is on the nomination committee. We strongly believe that key board committees should be formed solely of independent directors. We also see a lack of director rotation on this board, with various directors now having excessive tenures. We do not support the board's staggered structure. We believe governance best practice is to put every director to a vote, irrespectively of their targeted term on the board.

Finally, we see the continued non-disclosure of the external auditor's tenure and non-audit fees that represent more than 25% of total audit fees for the last two consecutive years as factors that hamper independence of the company auditor. This is particularly important in a situation when the company was controversially linked to related-party transitions and accounting a few years back.

THE GOAL

We wanted dialogue with the chair to lay out our views and encourage the board to consider moving to governance best practice.

We also wanted to discuss the need for better tax transparency. Country-by-country reporting (CbCR) of tax information would give investors comfort that the company is not applying a risky tax optimisation policy.

WHAT WE DID

In March 2023, following our PPL, we had an in-person meeting with the chair. We welcomed the fact that the board had improved gender diversity to 38% since our previous engagements. We made a strong case in support of our remaining governance concerns.

OUTCOMES

From this conversation, which we marked as a milestone, we obtained the chair's commitment to consider moving away from the staggered board structure. He was also interested to foster a process of director rotation, particularly given the need for additional digital and international branding expertise on the board that he had highlighted.

We could still not agree on certain items, including the need for auditor rotation to ensure its independence. We acknowledge that auditors routinely practice audit partner rotations, but this is still not enough to ensure full independence, particularly in view of the history of allegations of related-party transactions.

Furthermore, due to the staggered nature of the board, the chairs of the nomination committee and the audit committee were not put to a vote at the 2023 AGM. We had to vote against the longest-serving member of both committees to escalate our concerns. We also repeated our vote against the auditor and its remuneration.

Despite our positive meeting with the chair, the lack of progress ahead of the 2024 AGM shows how slow and difficult changes in governance can be. We remain in contact with the company and hope to schedule another meeting with the chair to keep pushing for change.

NEXT STEPS

Having highlighted these concerns in our 2023 PPLs for the second time, we are following up on this and hope to receive confirmation of the company's continued good intentions.

CASE STUDY: SMITH & NEPHEW

THE ISSUE

Our concerns at Smith & Nephew included:

- The lack of board gender diversity: the board had only 33% female directors, while our expectation, in line with the FCA listing rules, is 40%;
- Executive remuneration: we favour remuneration schemes that require material long-term shareholdings by the CEO (at least 400% of base salary), while at Smith & Nephew the requirement was only 300%; and
- The non-disclosure of the precise revenue target for the LTIP. Further, the short-term incentives plan (STIP), or annual bonus, had a low weighting of 20% for business and ESG objectives. However, this category includes up to 13 metrics, rendering nearly meaningless the individual weighting of each metric. This suggested a potential risk in a lack of prioritisation among the tasks for the CEO at the time when he was entrusted with a complex restructuring programme (their '12-Steps Plan').

THE GOAL

We wanted to see:

- Improved board diversity;
- Stronger alignment between the executive and shareholder interests;
- That key performance indicators and targets properly prioritise key strategic objectives in the long-term and short-term incentive plans for the CEO; and
- Stronger board leadership.

WHAT WE DID

We voted:

- Against the chair of the nomination committee on the lack of board diversity;
- Against the remuneration report and policy;
- Against the chair of the remuneration committee (RemCo) to escalate our remuneration-related concerns, as this was not the first year we voted against remuneration at Smith & Nephew.

Soon after the AGM, the board announced the appointment of a new chair. We upgraded the SIM governance score and fair value following this.

We met with the new chair in September 2023 to discuss his view, and communicate ours, on business strategy, board diversity, succession planning and executive remuneration. We did not mark this engagement as a milestone, but we appreciated a commitment from the new chair to initiate a review of the executive remuneration policy outside of the usual 3-year cycle.

Following the meeting with the chair, we engaged with the RemCo chair to discuss potential changes.

We also emphasised our outstanding concerns in the 2023 PPL to the new chair.

OUTCOMES

A letter from the RemCo chair outlined key changes in the executive remuneration structure. They proposed these to the shareholder consultation, with the aim of putting them to a shareholder vote at the 2024 AGM. Owing to the chair's broad engagement with shareholders, the board has decided to bring forward the remuneration policy review by two years.

We saw a key milestone in the RemCo's decision to raise the shareholding guidelines for the CEO and all US-based executive directors from 300% to 400%. This was in line with our earlier articulated expectations.

There are other changes aiming to align compensation of Smith & Nephew leaders with the US practice, which we assess neutrally. The RemCo also plans to introduce ESG goals to the PSP in 2024, with a weighting of 10%.

We raised additional questions and suggestions in a follow-up with the chair and RemCo.

NEXT STEPS

We will continue to engage with the RemCo on the outstanding concerns, such as the low weighting and high number of business and ESG objectives in the annual bonus. We believe proper prioritisation is important. Board diversity remains a concern as well.

FIXED INCOME ENGAGEMENT

Just as we engage as equity holders, it is important to have dialogue with debt issuers to communicate concerns and seek improved ESG performance. We believe that through our engagement, we can reduce the credit risk of a given issuer while also leading to positive outcomes for the society and the planet.

In implementing our ownership discipline for fixed income securities, the key difference to equities is that creditors do not have a vote at company meetings, or other powers to convene meetings. However, they can exert influence in other important ways. Particular points when creditors have leverage is 1) prior to new issuance – when the terms of the security trust and intercreditor deed are set, and 2) when bondholders get a vote on a corporate action (see **Principle 12** for more detail on this). We also engage at other points and we undertake joint engagements with the equity team when we hold shares and credit from the same issuer and have concerns.

Aside from different leverage points linked to voting, we implement all the other elements of our ownership discipline, including escalation through collective engagements with peers on shared concerns.

We undertook **29 engagement activities** with bond issuers in 2023, particularly in banking and real estate / housing association (HA) focusing on our key thematic priorities: climate change, social value chain and governance. Please see examples below.

CASE STUDY: HOUSING ASSOCIATIONS – PLACES FOR PEOPLE

THE ISSUE

Social housing has been a key focus for our credit investment over many years.

The social housing sector provides homes to four million households, with private registered providers of social housing owning approximately 60% of the social housing stock in England and local authorities owning the remaining 40%.[2] We believe the social housing business model plays an important role in supporting lower-income households in England.

Over recent years, evidence has emerged that raises serious questions about the quality and safety of housing delivered by certain HAs. Additionally, HAs are striving to meet the demands to upgrade properties in line with the UK government's drive towards net-zero carbon emissions.

THE GOALS

We have launched an engagement initiative with our investee entities in this sector in the fixed income spectrum to promote best practice in social care services and net-zero alignments. We initially seek a better understanding of individual HAs' performance with regard to the treatment of tenants, as well as progress against carbon reduction goals.

WHAT WE DID

We wrote to the chairs of four HAs where we hold bonds in excess of £10 million, prioritised by materiality of the issues based on our ESG ratings: **Places for People, Jigsaw Group, L&Q Group and Notting Hill Genesis**.

Our objectives were to:

1. Gain clarity on how they are adhering to best practice and tightening regulations relating to customer treatment and carbon reduction;
2. Gain insight into, and comfort on, complaints handling in light of some cases received by the ombudsman; and
3. Secure a commitment to speak with the chair.

OUTCOMES

In September we held a constructive introductory call with Places for People's tax and treasury director following our letter to the chair.

We obtained some clarity on property issues such as reinforced autoclaved aerated concrete (RAAC[3]); fire safety, damp and mould, as well as the work being done to rectify those issues.

The main issue they are dealing with is damp and mould – they have noticed a spike in tenants contacting them with these concerns during the past year. They have set up a dedicated triage team to facilitate inspections and repairs, increased their budget and are working to educate residents about damp and mould and the support available.

Regarding complaints handling, they stated they are continuously improving their approach and that most cases are resolved internally, with a relatively small number being escalated to the ombudsman. They believe they are well positioned to deal with the increasingly rigorous regulatory environment.

Though we did not manage to cover all the areas we planned, we do appreciate the depth and quality of our initial discussion. Management appeared willing to take our concerns on board and engage in further dialogue.

However, we would like to see greater transparency on complaint handling in order to better understand the underlying risks. We would also like to see a comprehensive gap analysis against the new regulatory framework.

NEXT STEPS

We have requested further calls to discuss their net-zero strategy and progress, and a separate call with the chair to discuss governance and oversight. A call with the chair is being arranged for early 2024 and we look forward to further constructive dialogue.

[2] https://bills.parliament.uk/publications/46714/documents/1906

[3] RAAC is a lightweight type of concrete commonly used between the 1950s and mid-1990s. Concerns have been raised relating to structural deficiencies that may lead to sudden collapse of RAAC panels in roofs.

EXAMPLES OF 2023 FIXED INCOME ENGAGEMENTS AND THEIR OUTCOMES

COMPANY / GROUP	ENGAGEMENT ISSUE & LATEST ACTION	OUTCOME & OUTSTANDING ISSUES
HSBC	**Environment – Climate Change:** We want to see a transition plan setting out how the net-zero commitment will be delivered, in addition to climate-conscious accounting and a commitment to lobby in line with the 1.5°C-pathway. We coordinated a collective investor letter to the chair in September, copied to the audit committee chair, setting out our expectations.	HSBC has achieved eight milestones and one impact during the time of our engagement to date. Following engagement work, the company has shown net-zero ambition, eight sector-specific 2030 targets and a detailed energy policy. There was no significant progress in 2023, however. We are awaiting a transition plan in Q1 2024. We received a brief response to a collective letter to the chair and audit committee chair, and were also invited to participate in a small investor call on the forthcoming transition plan in January 2024. Next steps include meeting with the company audit committee chair and, following publication of the transition plan, the chair.
Barclays	**Environment – Climate Change:** Barclays has not yet published a climate transition plan, unlike some of its key peers. We have asked that the transition plan should provide full clarity around the bank's decarbonisation ambitions and net-zero journey. In our engagement, we asked Barclays to extend the scope of its interim targets to ensure its financing activities in all carbon-intensive sectors are covered and consistent with science-based 1.5°C-pathways.	According to management, most elements of a potential climate transition plan are already in the annual report. Whether Barclays will issue a transition plan exclusively is currently under discussion internally. Barclays has interim targets across its financed emissions, capital markets business and operational value chain. With regard to its financed emissions, it has interim reduction targets for six sectors (including energy, power, cement, steel, automotive manufacturing and residential real estate), but such targets are not SBTi-verified. Moreover, only two of the sector targets cover all material scopes for the time being. We will continue to press the board to take further action in 2024.
Morgan Stanley	**Environment – Climate Change:** Morgan Stanley has no climate transition plan. We queried their intentions to publish one. We asked them to extend the scope of their interim targets to include their capital markets business and all their financing activities in carbon-intensive sectors.	Morgan Stanley has set interim financed emission reduction targets for corporate lending activities in three carbon-intensive sectors (auto manufacturing, energy and power). Initial targets focus on those sectors that are most material in terms of the overall financed emissions. The firm aims to set targets for additional sectors in due course, but there are no current plans to capture the capital markets business. Management recognised there is a need to issue a transition plan, but at the same time confirmed that this is not a priority. We will continue to press the bank to take more robust action to manage its climate risk exposures.
Intercontinental Hotels (IHG)	**Environment – Climate Change:** The group targets 100% new-build hotels to have a zero carbon emissions by 2030. They are already implementing this in the UK where all new builds have zero carbon footprint (net). We asked about ongoing efforts towards their carbon reduction commitments. We are focusing on their sourcing of renewable energy, existing properties and new-build properties.	Existing properties have challenges, but IHG is, for instance, working with termostat technology to improve energy efficiency. IHG is already on renewable tariffs in the UK and Germany. It is also exploring community solar projects in the US with a view to expanding throughout its holdings there. We will continue our engagement in 2024.
Belong Limited	**Social – Quality of Care:** Belong Limited, as a provider of housing and care for elderly people with dementia, is a focus for ongoing engagement on social impacts. There is a continuous assessment of the Care Quality Commission (CQC) ratings from the regulator. All of Belong's regulated services are rated either as 'Outstanding' or 'Good' by the CQC. However, there were some issues regarding the quality of care at one unrated property, particularly in medicine management.	We discussed with management how they worked to tackle the issues promptly.

ALTERNATIVES ENGAGEMENT

In 2023 we had engagements with **10 board chairs** of investment trusts. We focused on board effectiveness, including the board's oversight over strategic decisions in a challenging environment for this market segment. We also reviewed the needs for board refreshing and acquiring additional skills where we saw a need for that. We discussed communication with investors, which has been weak in a few cases. With some of these funds, follow-up engagements became quite intensive.

In the Appendix to this report, we share the full list of companies we engaged with in 2023 and the number of goal-linked engagement activities on each.

PRINCIPLE 10

COLLABORATION

We collaborate with other like-minded investors to amplify our voice in company engagements 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, but through collaboration we can enhance our ability to drive change.

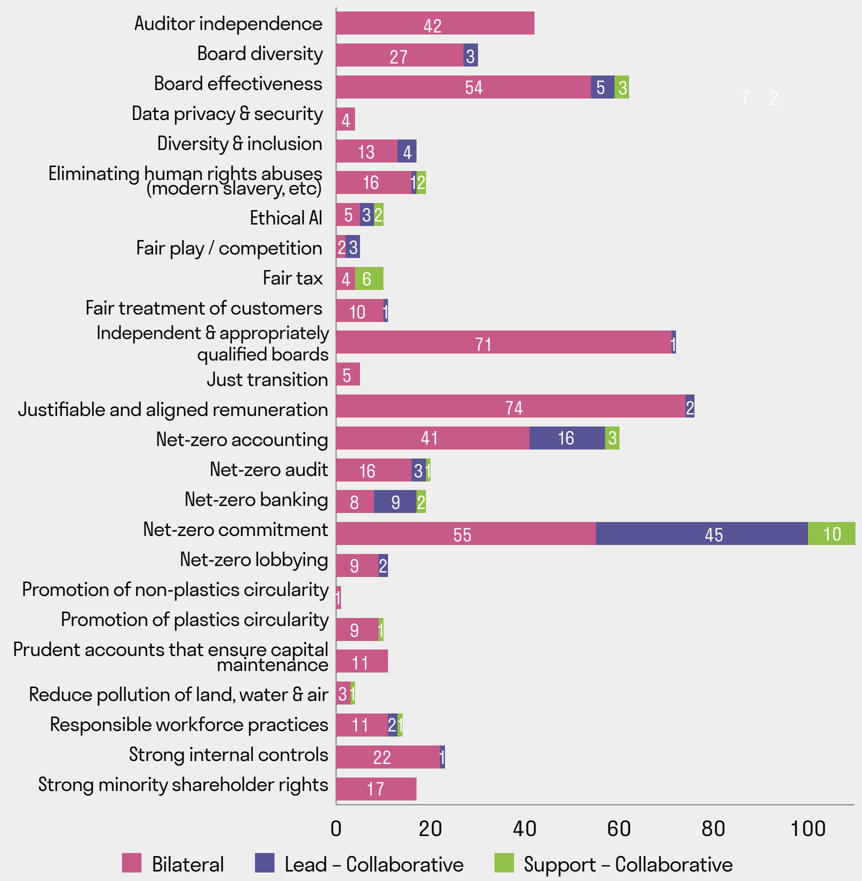
Gaining broader investor support for particular positions depends on us delivering high-quality analysis with credible proposals for action that others can get behind. We therefore put considerable effort into our analytical work. As a relatively high-conviction asset manager with a core global equity buy list of approximately 100 stocks, we can 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**, we will collaborate with other investors where we seek to increase effectiveness or escalate due to resistance from a board or executives. Wherever we explore collaboration, we ensure the steps we take are consistent with local laws and regulations.

In 2023 we participated in **165** collaborative goal-linked activities (GLAs) with **65** companies. We led **133** of these GLAs. These were normally engagements tied to our stewardship priorities (see **Principle 1**), where we wished to draw together a broader group to increase our voice. In the other **32** GLAs, we added our name to efforts that aligned well with our priority areas of concern. Most of these activities took the form of collective investor letters or joint calls, sometimes with follow-up exchanges. A large proportion of the work, particularly where we were leads, was coordination and preparatory discussions with other investors.

COLLABORATIONS BY GOAL (NUMBER OF GLAs*)



*Goal-linked activity (GLA) is any type of engagement interaction with the company on a single goal. In cases where we have an interaction with a company covering more than one goal, this will be recorded as >1 GLA.

In 2023, we participated in **165** collaborative goal-linked activities (GLAs) with **65** companies. We led **133** of these GLAs.

CASE STUDY: RIO TINTO PLC

THE ISSUE

As a leading global iron ore miner, Rio Tinto is one of our most carbon-intensive holdings. The bulk of Rio's emissions are associated with its main end market: steel production. If we are to reach net-zero carbon emissions by 2050, steel production will need to decarbonise, while lower-carbon construction materials will increasingly need to be used. Decarbonisation, therefore, represents a challenge to Rio's long-term outlook.

At the same time, the strategic opportunity to Rio of delivering low-carbon solutions is potentially large. Rio Tinto also supplies critical minerals, such as copper, aluminium and lithium, which are vital for the clean energy transformation.

In 2021 Rio set a net zero by 2050 ambition for its own operations' (scope 1 and 2) and targets to get these emissions down by 50% by 2030. These are broadly in line with achieving a 1.5°C temperature pathway. However, Rio has so far resisted setting scope 3 emissions targets (95% of its emissions) beyond shipping, and scope 3 emissions rose in 2022. It also spent less than 20% of the capex it had promised on low-carbon activities in 2022.

Alongside climate-related challenges facing Rio, we continue to monitor the effectiveness of controls put in place to addressing past workplace harassment incidents[1].

THE GOALS

We have the following principal objectives in our engagement with Rio Tinto:

1. Expand ne- zero targets to cover all its scope 3 emissions;
2. Integrate climate change considerations, including a sensitivity to a 1.5°C outcome, into its financial statements, documenting the methodology used and quantitative impacts;
3. Have a net-zero aligned lobbying commitment covering direct and indirect advocacy, supported by their audited annual report. Exit associations that are found to be misaligned with the commitment; and
4. Introduce a net-zero underpin in executive performance-related remuneration.

We are also pressing the company for continued action on the Broderick Report recommendations associated with significantly improving workplace culture.

WHAT WE DID

We initiated our engagement with Rio on climate matters in 2018. Over the past year we continued to lead a collective engagement focused on ensuring Rio's financial statements reflect climate risks, alongside supporting the CA100+ collective engagement programme.

Following our letter in late 2022 to the audit committee chair, board chair, other audit committee directors and lead audit partner, in 2023 we had a call with the audit committee chair.

While we welcomed important additional disclosures in Rio's accounts, these still did not meet our expectations.

We reflected our ongoing concerns in our 2023 AGM vote. We pre-declared key votes against resolutions on the auditor and remuneration, and abstentions on the financial statements and audit committee chair. Subsequently, we wrote to the chair to explain our votes and expectations.

[1] https://www.riotinto.com/news/releases/2022/Rio-Tinto-releases-external-review-of-workplace-culture

OUTCOMES

Rio's 2022 accounts (published in 2023) included improved climate disclosures in line with our expectations. A new section was added titled "Impact of climate change on the Group – Strategy and approach to climate change", including commentary on how climate actions are considered in its key accounting assumptions, disclosure of carbon price assumptions, and a Paris-aligned sensitivity analysis.

Rio published its latest Climate Report in 2023, providing updated disclosures on achievements and plans. They also published an updated review of their climate-related advocacy.

NEXT STEPS

Notwithstanding the progress made on financial statement disclosures, Rio has:

- Not extended its commitment to cover all its scope 3 emissions;
- Resisted exiting non-aligned policy advocacy relationships; and
- Failed to demonstrate a clear shift in capital allocation towards lower-carbon solutions.

We will continue pressing the board to address these, alongside our ongoing monitoring of governance concerns.

CASE STUDY: 30% CLUB UK INVESTOR RACE EQUITY WORKING GROUP

THE ISSUE

We acknowledge the existence of inequities and discrimination with respect to a number of factors including, but not limited to, gender, race, sexual orientation, age, disability, religion, culture and socio economic status. In particular, we recognise the existence of systemic discrimination and its impacts on racial and ethnic minorities globally.

As investors, we can contribute to addressing these inequities by promoting diversity and inclusion across our portfolios within our organisations. In addition, we seek that our holdings enhance transparency and accountability.

THE GOAL

The publication of the new FCA listing rules in April 2022 added board ethnic diversity as a requirement. However, this is on a 'comply or explain' basis. As investors, we encourage the boards of FTSE companies to comply rather than explain. We are also pressing companies for improved transparency on racial and ethnic inclusion in the broader workforce.

The 30% Club UK Investor Group was established in 2011 and brings together more than 40 investors with £11.7 trillion of AUM[2] to drive change with companies on inclusion and diversity.

We lead the investor workstream pressing companies to support the 30% Club's ethnic diversity targets, as well as the Parker Review recommendations for ethnic minority representation on FTSE boards. We would like to see the FTSE 250 companies achieve compliance with the Parker review ahead of the regulatory December 2024 deadline.

WHAT WE DID

In 2023 we continued our leadership of the race equity workstream of the 30% Club UK Investor Group, started in mid-2022.

In August 2022 the 30% Club UK published an investor statement on race equity. Since then, under our leadership, the investor collaboration initiated collective engagement with the chairs of 52 FTSE 250 companies that fell short of the Parker Review's recommendations. Each working group member actively engaged with a few companies.

Sarasin & Partners spearheaded collaborative engagements with SSP Group, Unite Group, 3i Infrastructure and Oxford Instruments, ensuring outreach continued beyond 2022. Over the past year we expanded our reach by writing to five more FTSE 250 companies.

Beyond these core engagements, the group also broadened its scope by initiating discussions with select FTSE 100 companies on ethnicity pay gap reporting. The aim was to identify and share best practices around pay equity. Notably, Sarasin led a fruitful discussion with Barratt Developments, gaining valuable insights into the practicalities of ethnicity pay gap reporting.

OUTCOMES

The group has now completed its FTSE 250 outreach, having written to 52 board chairs.

The results are as follows:

1. **Met requirements:** By the end of 2023, **23 companies** successfully met requirements. We are pleased to see the positive momentum;
2. **Working towards delivery:** Additionally, **11 companies** have assured us that they are working to deliver by the specified deadline; and
3. **Laggards:** There remain **16 companies** who either did not respond or provide any commitments. Working group members may consider escalation through voting action in line with their policies.[3]

23 companies now satisfy the Parker Review

11 companies working towards complying with the Parker Review

[2] https://30percentclub.org/uk-investor-group/

[3] Additionally two companies out of the 52 subsequently delisted and are not included in the results shown

EXAMPLES OF 2023 SUCCESSFUL COLLABORATIVE ENGAGEMENTS VIA THE UK 30% CLUB RACE EQUITY WORKSTREAM

Company	2023 Activities	Outcomes
Unite Group	As the lead on Unite Group, we wrote to the chair on behalf of the group. We held a collaborative call with the group people director to engage on ethnic diversity and inclusion at the senior management and broader workforce level.	**Impact -** Comprehensive response received from Unite Group's chair with a commitment. The company subsequently appointed an ethnic minority director in 2023, in compliance with the Parker Review.
Oxford Instruments	As the lead on Oxford Instruments, we wrote to the chair on behalf of the group on the topic of the Parker Review recommendations on race equity.	**Impact -** Appointed an ethnic minority director in 2023, in compliance with the Parker Review.

Source: 30% Club's UK Investor Race Equity Working Group - December 2023

CASE STUDY: AMAZON.COM

THE ISSUE

Amazon's business line AWS offers state-of-the-art AI products to their customers (e.g. AWS AI Service Card focused on responsible AI). At the same time, ethical aspects of AI use cases in other parts of Amazon's business are still not covered by any policies or explicit governance mechanisms. It is also unclear from public disclosures whether there are any internal policies and how they are implemented.

Amazon ranks quite low on external assessments of AI responsibility. the Foundation Model Transparency Index developed by the Stanford University Center for Research on Foundation Models, out of 10 models assessed, the Amazon Titan Text model comes last with a score of 12%. In the 2023 WBA Digital Inclusion Benchmark, Amazon ranked 49th out of 200, with a score of 0.9 out of 2.0.[4]

In October 2023, at the request of the UK government, six leading AI developing companies, including Amazon, have released their AI safety policies. A group of AI academics led by Seán Ó hÉigeartaigh have performed a review of these policies against best practices. Amazon was ranked second from the bottom, with a score of 58% (the average was 69%).

THE GOAL

We believe Amazon should:

- Publish its overarching principles, policies and governance mechanism over ethical AI across all its businesses;
- Disclose specific tools they apply in internal or external risk testing, including red-teaming, human rights impact assessment (HRIA) or audits; and
- Increase the scope of coverage of these tools to the whole business.

WHAT WE DID

We have engaged with Amazon on ethical AI since 2022. As a co-lead of the Amazon group of the World Benchmarking Alliance's (WBA) Digital Collective Impact Coalition (CIC), we coordinate this collaborative process.

We wrote to Amazon three times in 2023, asking them to clarify policies, procedures and governance structure for responsible and robust application of AI technologies firmwide. We praised their efforts in doing HRIAs at two of their businesses, but we need to know more about how this tool will be applied in other businesses such as e-commerce.

OUTCOMES

We were encouraged to see HRIAs performed in the most salient parts of the business during 2023, such as Twitch and Devices. This is an important tool for ensuring responsible AI.

We received a response from Amazon's IR department to our first two letters, which highlighted that Amazon, alongside six other tech companies at a meeting with President Biden in the White House in July 2023, had made a public commitment to safe and responsible development and application of AI models. Amazon also disclosed this information.

The commitments are centred on public interests such as fairness, security and protection of human rights in AI, as outlined in the list below:

1. Commit to internal and external adversarial-style testing (also known as 'red-teaming') of models or systems in areas including misuse, societal risks and national security concerns, such as bio, cyber and other safety areas;
2. Work towards information sharing among companies and governments regarding trust and safety risks, dangerous or emergent capabilities and attempts to circumvent safeguards;
3. Develop and deploy mechanisms that enable users to determine if audio or visual content is AI-generated, including robust provenance, watermarking, or both, for AI-generated audio or visual content;
4. Invest in cybersecurity and insider threat safeguards to protect proprietary and unreleased model weights;
5. Incentivise third-party discovery and reporting of issues and vulnerabilities;
6. Publicly report model or system capabilities, limitations and domains of appropriate and inappropriate use, including discussion of societal risks, such as effects on fairness and bias;
7. Prioritise research on societal risks posed by AI systems, including on avoiding harmful bias and discrimination and protecting privacy; and
8. Develop and deploy frontier AI systems to help address society's greatest challenges.

We consider the public commitment by Amazon as an important milestone. It is particularly remarkable that Amazon is not alone here: this industry collaboration can potentially generate a ripple effect. If the stated actions are implemented, they could also lead to standardisation of oversight and reporting procedures.

[4] Importantly, this ranking included emerging markets companies that achieved very low scores.

NEXT STEPS

We sent another letter to Amazon at the end of 2023 to seek further dialogue on the implementation of their July commitments and any planned launches and disclosures of AI safety tools, especially HRIAs.

We have also asked to speak with the lead independent director to understand his vision of the role of the board in shaping the company's strategic approach to ethical AI.

We plan to continue our co-lead role at the WBA Ethical AI CIC and aim to boost this engagement.

POLICY OUTREACH

In many cases, our collaborations link into broader initiatives that we support as part of our engagement initiatives, such as CA100+, 30% Club, 'Find It, Fix It, Prevent It' – Modern Slavery Initiative, the Tax Reference Group of the PRI and the Ellen MacArthur global commitment on recycling. These were outlined under **Principle 4**.

Likewise, collaboration is important in our policy outreach work, where having a collective investor voice behind specific requests for policy action is necessary to gain traction. Examples include initiatives to improve the audit system, to reform international accounting standards, to call for companies to deliver Paris-aligned accounts and to promote oversight over tax transparency and human rights in supply chains.

PRINCIPLE 11

ESCALATION

A central pillar of good governance is that individual directors can be held personally accountable for shareholder outcomes.

The ability to escalate where we fail to gain traction on key issues of concern for our clients is important, as it demonstrates a commitment to our goals and increases our chances of success. Escalation is, therefore, a feature of both our engagement work (see Principle 9) and our policy and market outreach (Principle 4). But we do not escalate our efforts in all situations. There are costs involved, chances of success vary and reputational risks need to be considered.

There is a range of options open to shareholders to apply greater pressure on boards and management, including:

- Collective shareholder engagements;
- Voting against directors;
- Filing shareholder resolutions / proposing directors;
- Voting against the auditor and/ or annual report and accounts;
- Submitting formal complaints to regulators;
- Public statements; and
- Litigation.

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 and therefore may not always be an option, in markets like the UK and US, it is a commonly used tool as part of promoting better dialogue and more robust governance at companies (see **Principle 10**). Notable examples of collective shareholder engagements in 2023 included Equinor, Amazon and US Solar Fund.

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 also communicate with other investors and 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 10% against) can be influential through their reputational impact for the targeted director 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 that reflects this.

In 2023 we voted against **727** company directors, or **22%** of the total director election votes, on various concerns. The vast majority of these votes against directors were on governance grounds, and specifically concerns over a lack of independence (see table to the right).

We continued to seek personal accountability of chairs of key board committees, such as remuneration, audit and nomination committees, where we have found weaknesses in their areas of responsibility. For instance, if we have voted against the remuneration policy/report or company auditor for two consecutive years and have not seen positive change, we will normally vote against the committee chair. In 2023 such escalation votes accounted for **87 directors**, or **3%** of all our director election votes. Examples include Walt Disney, Deere, Bank of Nova Scotia, Amazon and Samsonite.

These votes are often linked to our engagements (see case study on Samsonite in **Principle 9** and Equinor in **Principle 11**). Beyond our core governance oversight, we use our votes against directors to advance our key priority engagements where we see inadequate action.

To promote action on climate change, for instance, we use our climate voting policy. We have strengthened this over the years, with specific rules to hold the chair, audit committee chair and remuneration committee chair to account for progress in their areas of responsibility.

In 2022 we published our Climate Voting Policy in a stand-alone document to draw public attention to the importance of director accountability on climate change (as well as auditors – see our approach regarding votes on auditors in **Principle 12**). During 2023, we voted against **94** directors on climate grounds, where we perceived material climate risks and saw a lack of progress.

We also voted against **141 directors**, mainly the chairs of nomination committees, due to the lack of board gender diversity. In **49** of those cases it was the sole reason for the lack of support. Some of those votes were an escalation of previous engagement on this topic where we considered there was insufficient progress. Examples include Tencent, AIA, Amgen and Alphabet.

In line with the extension of our voting rules to cover ethnic diversity for UK and US companies, we voted against **57** nomination committee chairs due to insufficient ethnic diversity, and in **26** of those cases it was the sole reason for the lack of support.

The breakdown of votes related to director votes in 2023 is shown to the right.

SUMMARY OF DIRECTOR VOTING

Rationale for voting against company directors	Number of directors
Lack of independence, including:	**273**
Lack of majority independence of the board	145
Non-independent directors on key committees	269
Board diversity, including:	**175**
Gender diversity	141
Ethnic diversity	57
Overboarding	**107**
Escalation	**87**
Climate concerns	**94**
Staggered or classified boards	**59**
Total	**727**

Source: Sarasin & Partners, 2023. The total number of director votes was 3,311.

The numbers show where this factor was mentioned in the voting rationale, either on its own or alongside other factors. There is often more than one driver for a vote against.

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, this sends a strong signal to the board that it needs to act if sufficient support is garnered. We did not file any shareholder resolutions in 2023.

VOTING AGAINST THE AUDITOR AND/OR ANNUAL REPORT AND ACCOUNTS

Shareholders often have a binding vote on the auditor's appointment, but 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) is thus vital as it provides a means for ensuring auditors remain vigilant on behalf of shareholders. It reminds auditors who their ultimate clients are, when there are too often pressures for auditors to align with executives. In our view, the failure of shareholders to hold auditors accountable through their votes is a key cause for weak audit quality and scepticism over the reliability of company accounts.

In 2023, as a result of concerns over auditor independence or audit quality, we voted against **117** proposals to appoint company auditors, or **18%** of the total.

Alongside shareholder rights to appoint company auditors, a vote against an annual report and accounts sends a strong signal that shareholders lack faith in what is being reported. In 2023 we voted against **4%** of all voted company accounts.

A continuing key area of focus for us in 2023 was the importance of auditors kicking the tyres on accounts at carbon-intensive companies, where we would expect additional disclosures relating to how climate factors were considered in key accounting assumptions. For Sarasin's identified list of high climate-risk holdings, we voted against **57%** of auditor reappointments due to a lack of evidence that the auditors had met our expectations. We also voted against the approval of 73% of annual reports and accounts for this list of carbon-risked entities.

Please see our 2023 votes against management proposals on climate grounds in **Principle 12**.

SUBMITTING FORMAL COMPLAINTS TO REGULATORS

Where a breach has occurred, for instance inadequate shareholder disclosure, misrepresentation or poor treatment of a stakeholder, a complaint to the relevant regulator may be an appropriate tool to drive change.

We performed such actions to two companies in 2023, one of which was Equinor (please see the case study on the next page).

PUBLIC STATEMENTS

Depending on the situation, a public statement by one or more shareholders challenging a company's or director's actions, or that of other key market players, can help draw broader market scrutiny and prove effective in generating a response. For example, following engagement, we escalated our proxy actions for CRH, Rio Tinto and Equinor.

LITIGATION

While there are frequently high hurdles to overcome in any legal action, in extreme cases (such as failures to uphold fiduciary duties), it may be appropriate to consider legal action against directors – or supporting someone else in their legal action. The threat of legal action can also prove influential. We considered one litigious solution in 2023.

None of these actions should be taken lightly. At every stage we ensure proper internal debate and challenge, weighing up the benefits and costs. We always seek legal guidance.

Our effectiveness depends on building our reputation for accurate analysis, our commitment to long-term enduring returns and our integrity, so we need to move forward carefully with any engagement. But as already highlighted, we believe investors have a responsibility to hold directors and auditors to account. We will speak out against poor behaviour and we do not avoid necessary challenge.

We seek partnership with third parties, including civil society actors. We also routinely review our investment thesis to ensure our holding remains appropriate.

GEOGRAPHICAL DIFFERENCES

While we view our ESG expectations as universal, our approach to implementation will at times reflect geographical specificities. In certain cases, we may prioritise particular markets as a practical measure and, as we gain experience, extend them to cover other markets.

In 2023, the gender diversity requirement for UK boards was increased to at least 40% (compared to 30% in 2022). At least one woman in a senior executive position was also required, in line with the Parker Review. During the year we also started voting against the nomination committee chair in Canadian companies if a board does not have any ethnic minority directors.

Another example relates to our expectation for senior executive shareholding requirements. Generally, we believe top executives should have a significant portion of their overall wealth held in shares during their employment and for some time thereafter. While across the world we applied the threshold requirement of 400% of base salary for CEOs, in the US – due to typically lower levels of fixed pay and higher levels of variable – we apply a higher threshold requirement of 600% to achieve the goal. For 2024 we decided to lower the threshold requirement for companies in jurisdictions outside the US, UK and Ireland to 300% from 400%.

In Japan specifically, where corporate boards do not have three key committees (on audit, nomination and remuneration), we will vote against the board chair when we want to escalate our concerns about the level of board independence or lack of progress towards net-zero alignment.

CASE STUDY: EQUINOR

THE ISSUE

Equinor, Norway's national oil and gas champion, 67% owned by the Norwegian state, exemplifies the challenges facing oil and gas companies that seek to align with the Paris Climate Agreement. The company's dividends depend almost entirely on oil and gas production, which under the Paris Agreement would decline steadily towards zero by 2050. The only way to square this circle is through the development of cleaner sources of income that are equally profitable.

Equinor was Sarasin's only oil and gas holding in 2023. We see it as amongst the best placed in the sector to profitably navigate decarbonisation over the coming decades due to its relatively low-cost reserves and its investments in onshore and offshore wind and hydrogen.

THE GOAL(S)

Notwithstanding Equinor's potential to become a net-zero leader amongst oil and gas companies, it has so far not set emission targets or articulated a strategy that we would consider to be aligned with a 1.5°C-pathway. We therefore have three high-level objectives for Equinor:

1. 1.5°C-aligned emission goals;
2. 1.5°C-aligned capex strategy; and
3. 1.5°C-aligned accounting disclosures.

WHAT WE DID

We initiated our engagement with Equinor in November 2020 with a collective investor letter that we coordinated to the chair of Equinor's audit committee and the lead audit partner. The letter was part of a broader effort led by Sarasin and the Institutional Investors Group on Climate Change (IIGCC) focused on pressing carbon-intensive companies to ensure their financial statements properly reflected material climate risks and the costs of implementing their own commitments, and provided visibility for exposure to a 1.5°C-pathway.

On the back of this engagement effort, Sarasin joined as a lead investor in the CA100+ initiative in early 2021 and worked closely with the co-leads to push Equinor towards more ambitious climate targets, supported by concrete shifts in its strategy towards a net-zero future. A key element of our engagement has been a dialogue with the Norwegian government, as the largest shareholder in Equinor.

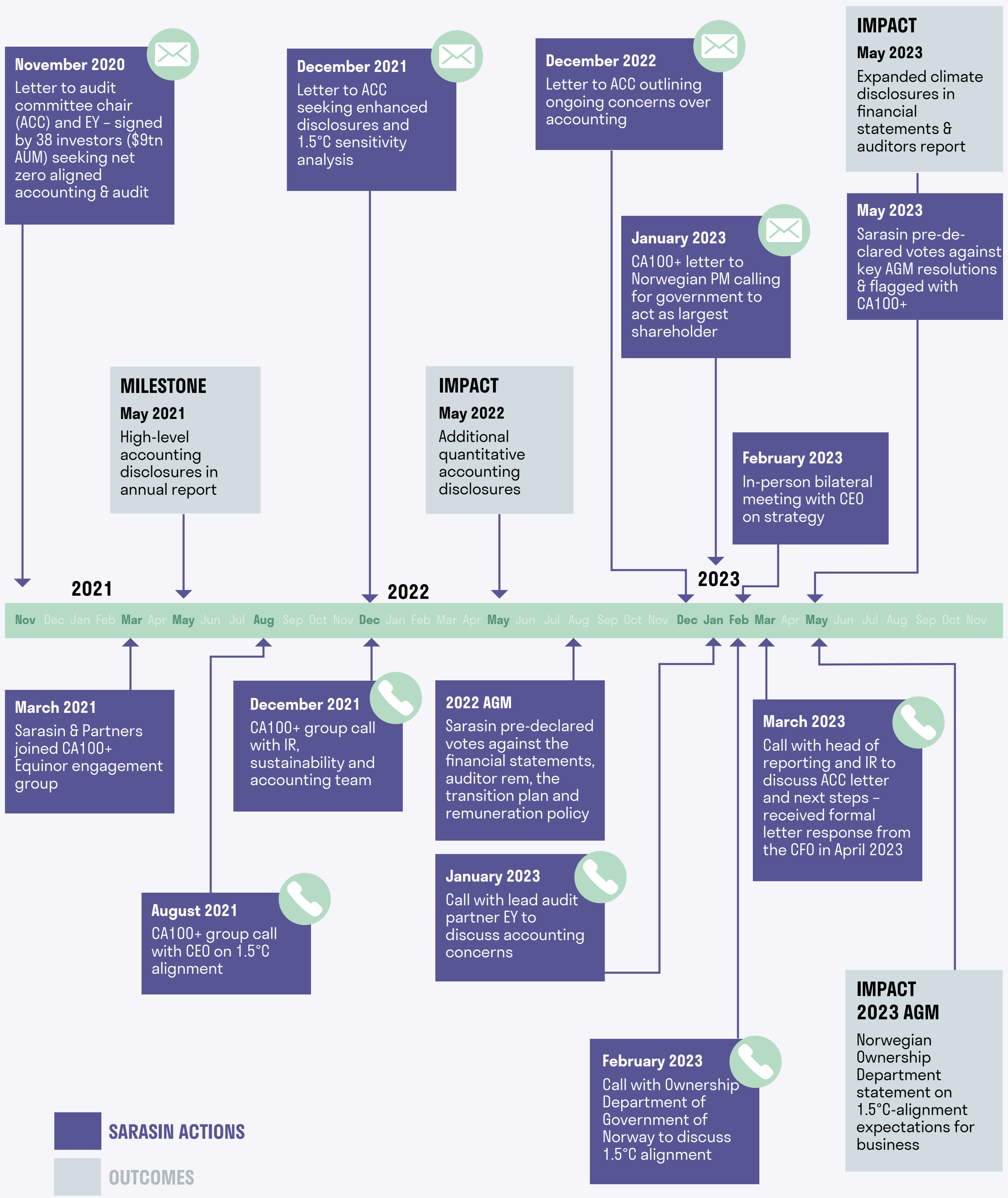
From 2021 through 2023 we had 63 engagement activities with Equinor, as well as with various other stakeholders about Equinor. That included 26 direct company interactions: 16 with the board, six with executives and four with the IR. In 2023, we had 11 company engagement activities. We pre-declared our voting intentions in 2023 and sent a post-proxy letter to the company.

OUTCOMES

We have seen tangible progress, including a commitment to raise investment in renewables to 50% of its total gross capex by 2030 and better financial statement disclosures. Equinor stood out amongst peers in 2023 for not back-tracking on its net-zero commitments, something we saw at Shell and BP. Notwithstanding these positives, more progress is needed.

The timeline overleaf highlights actions we took, alongside milestones and impacts achieved.

EQUINOR STEWARDSHIP TIMELINE AND OUTCOMES



GOAL Strategic pivot towards 1.5°C alignment

IMPACTS TO DATE Continuous improvements in climate-related financial disclosures; Norwegian government 2023 AGM statement that expects Equinor to align with Paris Agreement goals

Key elements of escalation included:

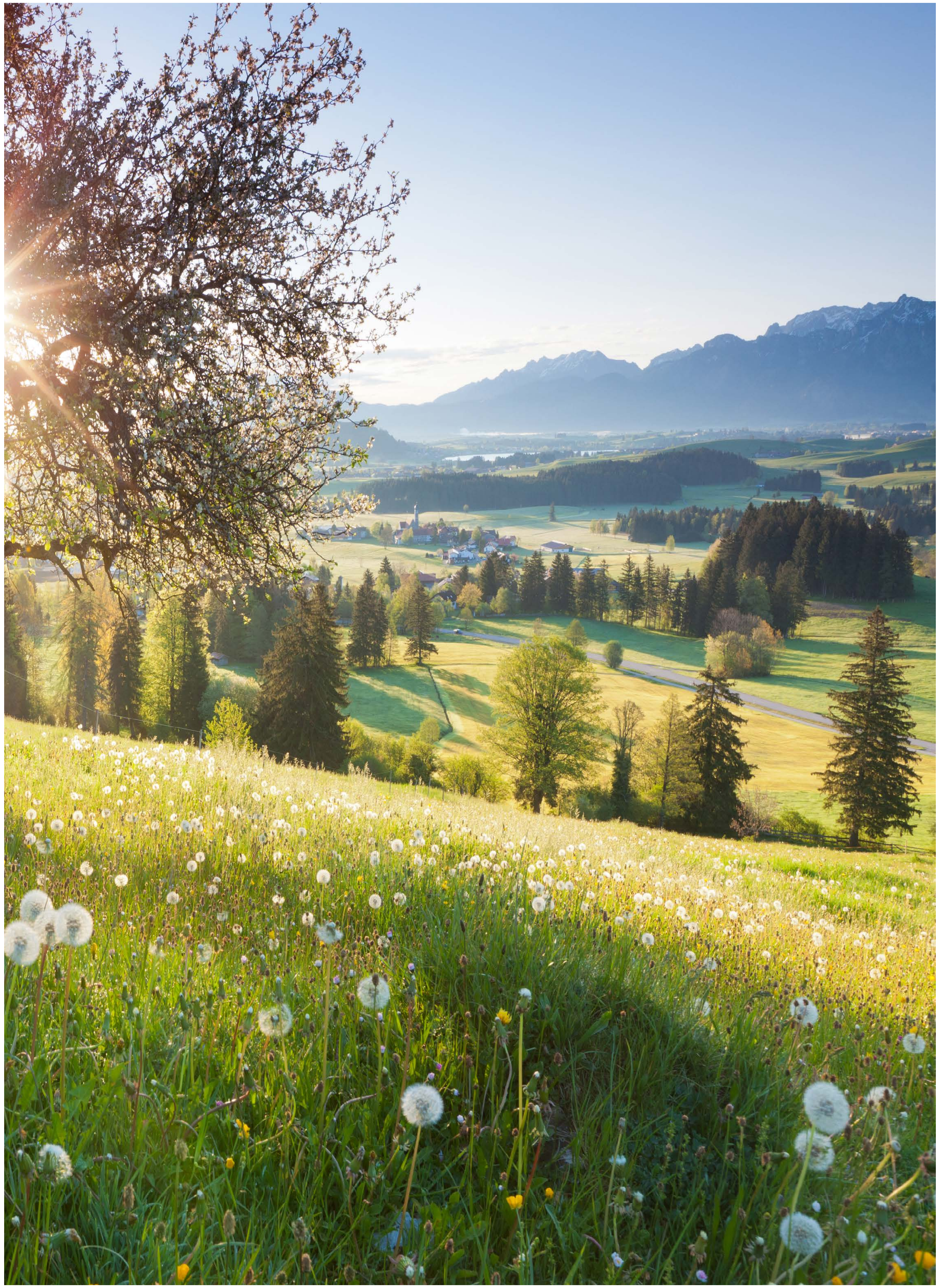
- **Coalition building:** Alongside its bilateral dialogue with the company, Sarasin has led a collective investor engagement seeking climate-related financial statement disclosures, and in parallel, has been a co-lead for the CA100+ engagement.
- **Vote escalation:** Voting in Norway was a challenge due to share blocking and power of attorney rules that require shareholders to lock up shares for a period around the AGM. Notwithstanding these obstacles, we have applied our net-zero voting policy for a portion of our clients' holdings since 2022. In 2023, we voted* against Equinor's annual report and remuneration policy and report, and abstained on the auditor's remuneration.
- **Pre-declaration of votes:** We pre-declared key votes against management at Equinor's 2022 and 2023 AGMs on our website. In 2023 we also flagged our votes via the CA100+ network.
- **Collective letters to chair:** In keeping with our ownership discipline, we wrote to Equinor's chair in 2022 and 2023, setting out the rationale for our AGM votes and pointing to key expectations we have regarding their net-zero transition. In addition to that, in late 2023, we also coordinated a collective investor letter from CA100+ and other shareholders to the chair, which we copied to the Norwegian Ownership Department.
- **Outreach to Norwegian government:** Norway's 67% shareholding means it is critical to a successful engagement. Given the state's support for the Paris Climate Agreement, we view them as a natural ally. We initiated dialogue with the government in January 2023 by writing as a group to Norway's prime minister. We have followed up with a number of calls. We were pleased to see the government publish a statement at Equinor's 2023 AGM outlining their expectation that the company aligns its strategy with a 1.5°C-pathway.

STATEMENT BY THE GOVERNMENT OF NORWAY AT EQUINOR'S 2023 AGM

> As stated in Meld St. 6 (2022 - 2023) - Greener and more active state ownership (white paper on the State's direct ownership of companies), the state expects that
>
> **i)** The company identifies and manages risks and opportunities relating to climate and integrates these into the company's strategies.
>
> **ii)** The company sets targets and implements measures to reduce greenhouse gas emissions in both the short and long term in line with the Paris Agreement, and reports on goal attainment. The targets shall be science-based when available.
>
> **iii)** The company reports on direct and indirect greenhouse gas emissions and climate risk, and uses recognised standards for reporting greenhouse gas emissions and climate risk.

Source: Minutes of The Annual General Meeting of Equinor ASA (10 May 2023)

* Due to a technical error experienced between Sarasin's third-party proxy voting service provider and ballot issuer, Sarasin's votes in respect of certain resolutions put forward at Equinor's 2023 AGM were invalidated. The technical error was outside of Sarasin's control and has been investigated.



CASE STUDY: US SOLAR FUND

THE ISSUE

US Solar Fund (USF) is an alternative investment holding in which we are one of the biggest shareholders. We have engaged with USF since it listed in 2019, but most intensively since the spring of 2022 when, after a turbulent period for the company's shares, we asked USF's board to develop a strategy to dismantle the portfolio and return money to shareholders, as there are weak prospects for growing the company.

In response to our engagement, USF published a Strategic Review in mid-October 2022, in which it said that it would consider all available options, including sale of the company, sale of its assets or hiring a new investment manager. However, there was no progress until Q1 2023, and there was a lack of communication from USF's board.

THE GOAL

We wanted to ensure that USF's board acts in the interests of shareholders by pursuing our preferred strategic option, and that it communicates clearly with shareholders throughout the engagement process.

WHAT WE DID

In partnership with two other investors, CCLA and Fidelity, we made several attempts to galvanise the USF board to act. We were particularly disappointed by news of the sale of £53 million of USF's assets in a move that did not suggest a return of cash to shareholders. None of our expectations had been met by the board. In the meantime, key people had left the investment management company, thus putting USF further at risk.

In May 2023, the board disclosed that its strategic review had not made progress due to a lack of attractive options.

At the AGM in May 2023, we voted against the chair and abstained on three other directors. We advised the board of our voting intention well in advance and made it clear in the voting rationale that "the board has failed to make a timely and satisfactory strategic shift to preserve shareholder value. In addition, communication has remained poor through this process, as much as it was since the IPO."

The response we received from the board was not constructive in tone and content.

In July 2023 we arranged a meeting with the board together with five other major USF investors and, as a follow-up, compiled a joint list of action points expected from the USF board. In total, we had 11 engagements with the company in 2023, eight of which were in collaboration with other shareholders.

OUTCOMES

At the meeting in July, USF's board contended that the failure of their strategic review was due to the effects of the US Inflation Reduction Act making US operational renewable energy assets (which constitute USF's portfolio) less attractive than development assets.

The board also made a strong case for appointing a new investment manager. In August, USF announced Amber Infrastructure Group (Amber) as their preferred candidate for this role. The board and Amber consulted with shareholders on a new investment strategy, which they put to a vote in November. We voted for the proposal after some additional engagement with the board.

We have since seen some improvement in the quality of communication provided by the new investment manager, but communication at board level remains weak.

NEXT STEPS

While not our initial preferred strategic option, we do support USF's new investment strategy on the condition that a discontinuation vote is held at the next AGM should the USF share price discount to net asset value per share exceed 10%. We are also monitoring decisions regarding the return of cash proceeds from sales of assets to shareholders, and other action points requested by USF shareholders. We are prepared to escalate our action further if there is lack of progress.

PRINCIPLE 12

EXERCISING RIGHTS AND RESPONSIBILITIES

In this section we explain how we exercise vital shareholder and bondholder rights and responsibilities on behalf of our clients.

Generally speaking, most attention is on shareholder rights, typically associated with voting at annual general meetings (AGMs). However, creditors also have rights and can exert a degree of influence over issuers to incentivise more sustainable behaviour. We highlight our approach to both, including details of our voting behaviour in 2023.

We vote on behalf of 85% of our clients that delegate their voting rights to us. When we onboard new clients, the client manager establishes whether they are happy to delegate voting to Sarasin & Partners. The voting instructions are passed to the operations team to set up the appropriate accounts with our proxy provider, ISS. The operations team undertakes semi-annual checks of the accounts with delegated voting rights.

Where clients choose to delegate their voting rights to us, they cannot override our voting policy. They can choose an alternative voting policy that they would like us to implement for them. Only two of our clients have opted for such an alternative voting policy.

OUR VOTING POLICY SUPPORTS OUR APPROACH TO STEWARDSHIP

To ensure sound corporate governance, we believe it is essential that investors fulfil their responsibilities to monitor and hold executives to account. A key mechanism for shareholders is exercising their voting rights. We outline our approach to governance and voting in our Corporate Governance and Voting Guidelines, which take account of the UK Corporate Governance Code as well as international guidance on governance. These guidelines reflect our perspectives on common governance issues, including: board structure, composition and effectiveness; executive remuneration; audit, accounting and internal controls; capital structure and shareholder rights; as well as common environmental and social resolutions.

We review the guidelines annually to ensure we continue to reflect advances in best practice. In December 2023 we updated our voting policy and in March 2024 we published a summary of these changes on our website.

SRD II DISCLOSURE NOTE

In line with the Shareholder Rights Directive (SRD) II, the Financial Conduct Authority's (FCA's) Conduct of Business Sourcebook (COBS) rule 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 this principle, we describe our voting behaviour for 2023, provide full disclosure of all votes with rationales, provide examples with explanations for significant votes and outline our use of the proxy advisory firm ISS.

For many items we vote on a case-by-case basis. This includes almost all shareholder resolutions. The stewardship experts and analysts jointly review these to make decisions that are relevant to the specifics of the company's business model, its practices and our engagement experience.

Looking ahead, **the key changes in our voting policy for 2024** following our December 2023 review included:

1. **Social value chain**
   Reflecting our ongoing focus on abuses of human or labour rights in companies' value chains, we will consider voting against incumbent board chairs at those companies on our labour and human rights watchlist;
2. **One-share-one-vote rule**
   We will always support proposals that ask to introduce the one-share-one-vote principle;
3. **Proxy contests**
   We will always review proxy contests on a case-by-case basis (previously our proxy service provider ISS considered them a routine matter and did not refer to us);
4. **Support for annual Say on Pay (SoP) vote in the US and Canada**
   We have introduced two new rules:
   - We will vote against the chair of the remuneration committee (RemCo) when SoP voting frequency is more than one year; and
   - We will consider voting against all incumbent RemCo members if SoP is not put on vote this year and there have been remuneration-related concerns in the previous year, i.e., we voted against the executive remuneration proposal;
5. **Alignment with long-term value creation**
   We will continue to expect that company CEOs will be required to accumulate a substantial shareholding, which should be at least 400% of base salary in the UK and Ireland and 600% in the US. However, we have decided to lower this threshold to 300% of base salary in Continental Europe and the rest of the world to reflect prevailing market practices;
6. **Quantum of pay**
   Currently, if the overall quantum awarded to the CEO of a UK company is above £10 million, or $15 million in the case of a US company, we consider whether to vote against the remuneration report and policy on a case-by-case basis. We will now also introduce such a threshold for companies in Continental Europe and Ireland, at $5 million. This lower level is targeting slightly more than the top 5% of European companies in terms of CEO pay quantum;
7. **Further escalation rule**
   We currently vote against the chairs of relevant committees in escalation cases (when we have voted against the relevant item for two consecutive years). We are now adding a further escalation rule. If such a situation persists and the board has not established adequate actions over a four-year period (resulting in us voting against the item for four years) despite explicit engagement, we will vote against the board chair;
8. **Director independence**
   In line with the recommendations of the UK Corporate Governance Code, we will reduce the tenure expectation for independent directors in the UK and Ireland to nine years from 12 years;
9. **Annual director elections**
   In certain jurisdictions, directors can be elected all at once, but for a term of more than one year. We believe having annual director elections is important to underpin shareholder accountability. We will vote against heads of nomination committees at such companies; and
10. **Extending director independence requirement to situations when directors are not out in vote**
    While we vote against non-independent directors based on the concern they are serving on key committees, we also want to express this concern when a particular director is not up for election that year (for example, in the case of a staggered board). In this case, we will vote against the chair of the nomination committee.

We continued to apply our Net Zero Voting Policy in 2023, which has been in place since 2018. This policy remains a key part of our Paris Alignment stewardship efforts, as it outlines how we embed climate considerations in holding directors and auditors accountable, as well as in our approval of companies' remuneration and financial statements.

The policy applies to those entities we view to be most materially exposed to climate risks (our Climate Amber list). These are entities where we expect boards to act in building resilience by shifting their strategy, capital expenditure and updating core governance structures for aligned financial reporting and remuneration (see **Principle 7** on the criteria for the list).

A summary of our 2023 votes against key routine AGM resolutions at our Climate Amber List companies is provided on the right.

As with all our core initiatives, we build these votes into our broader engagement plans with investee companies (e.g. see **Principle 11** on escalation). We also continue to devote efforts to promoting more impactful voting amongst our peers through public statements, webinars and our support for the Institutional Investors Group on Climate Change (IIGCC) proxy advisor engagement workstream (see **Principle 4**).

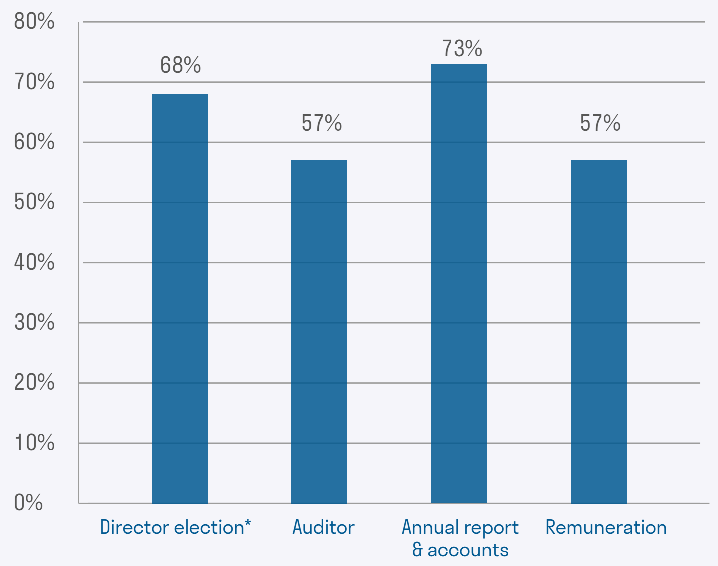
We employ a proxy advisory firm, ISS, to implement our voting policy, but we do not use their default voting policy. We monitor our votes, implementing a manual review of votes against board proposals, items referred to us for a case-by-case consideration (e.g. shareholder resolutions), any controversial votes and votes linked to any ongoing engagement in our core buy lists.

We reviewed ISS's performance in 2023 and believe that the service remained strong. We identified 17 voting errors out of a total of 7,280 votes cast on resolutions.

Our voting principles tend to be more robust than ISS's default policy, which means that we tend to vote more frequently against board proposals, particularly on resolutions relating to director election, remuneration, accounting and audit. During the 2023 voting season we voted against management on at least one resolution in **94%** of companies on our core buy lists and we implemented different votes to ISS's default policy on just under **24%** of resolutions, mostly in relation to the items outlined above.

CLIMATE-RELATED VOTING IN 2023

% of resolutions at Climate Amber List companies where we voted against / abstained from voting on climate considerations



Source: Sarasin & Partners, 31.12.23

* This represents the proportion of companies where we voted against or abstained from voting on directors due to climate concerns.

WE DO NOT APPLY OUR VOTING POLICY RIGIDLY

It would be impossible to foresee all situations, so we retain the ability to diverge from our voting 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 on this page, during the 2023 voting season we overrode our own voting policy in **2%** of resolutions at our buy-list companies.

VOTING IS INTERTWINED WITH COMPANY ENGAGEMENT

As previously highlighted, voting is a key part of our ownership discipline (**Principle 9**). We use our votes to reinforce key asks we make. Where the company's response is inadequate, we may vote against specific directors or other resolutions. To ensure our votes and their rationales are communicated to boards, we have a programme of rolling out post-proxy letters to chairs or lead independent directors.

In 2023 we wrote to 58 companies, selected according to the significance of the voting issues identified and the materiality of our holdings. This was an increase on the 54 letters sent in 2022 (see **Principle 9** for a fuller discussion of this in the context of our ownership discipline).

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 to the chairman, senior independent director or the relevant board member (e.g. the remuneration committee chairman for remuneration matters, or audit committee chairman for accounting concerns).

We do not normally attend AGMs, as we have sufficient channels to raise our concerns with the company. However, if we believe a certain issue warrants high-profile attention by the board and the public, we will attend general meetings to raise our questions and concerns publicly. We will also pre-declare, or flag, key votes on our website prior to an AGM as an escalation tool, adding a spotlight on key areas of concern. In 2023 we pre-declared our votes on climate for CRH, Rio Tinto and Equinor (see case study on CRH overleaf). Other pre-declared votes can be viewed on our website.

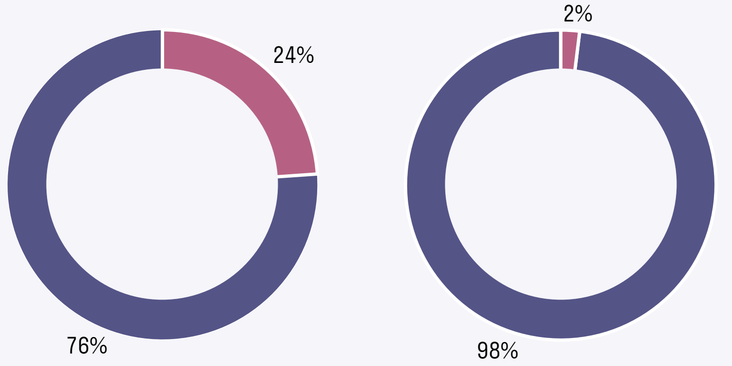
KEY FEATURES OF OUR 2023 VOTING

THOUGHTFUL VOTING POLICY

- Annual review
- Not a box-ticking exercise

24% of resolutions voted differently from ISS in 2023 proxy season

Overrode our own voting policy or manually determined in **2%** of resolutions (approximately 30 resolutions)



VOTING INFORMS ANALYSIS AND ENGAGEMENT

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

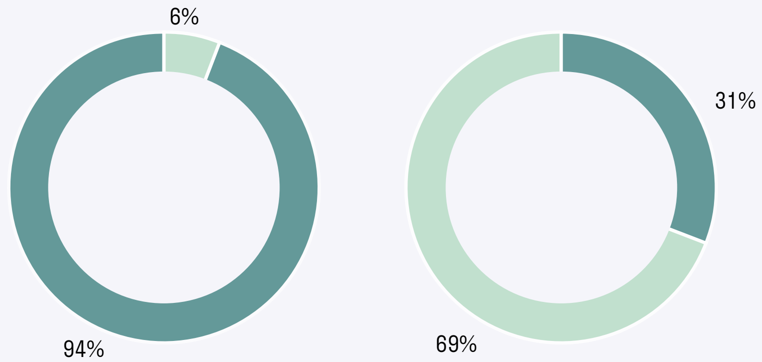
Votes support our engagements – too often managers don't follow through with votes against management where problems exist

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

WILLINGNESS TO VOICE CONCERN

In the 2023 proxy season, we votedagainst management in **72** out of **77** company meetings

We voted against management in **31%** of total resolutions



Rationales for against votes sent to **58** companies

Voting records published on our website

Note: Data relates to our global equity buy list as at 03.01.2024 (100 companies) for the proxy season 2023 (1 January – 31 December 2023)

Source: Sarasin & Partners, January 2024

OUR VOTING ACTIVITIES 2021-2023

We seek to vote on all shares held by our clients, unless there are impediments that make this too costly (see note below). We do not engage in stock lending, which could inhibit our ability to vote.

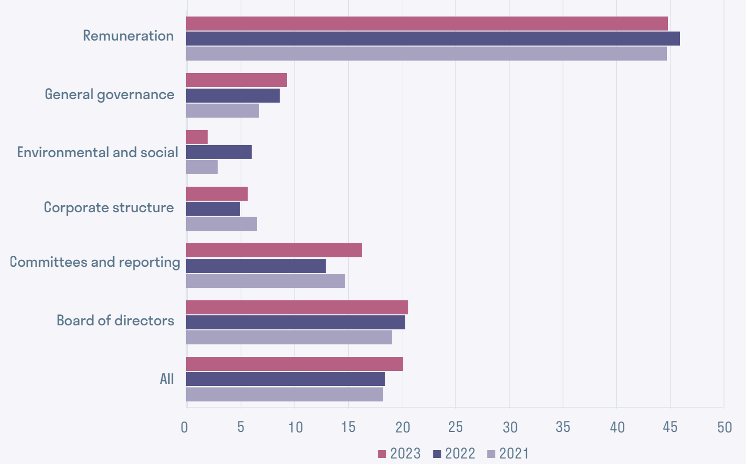
In 2023:

- We voted at 91.14% of our meetings and 93.98% of our resolutions*;
- We voted against management (including 'abstain' votes) in 21.1% of resolutions. In 2022, the figure was 22.2%, and in 2021 it was 20.8%; and
- We voted against management on our buy-list companies in 31% of resolutions (approximately 100 stocks).

  *Note: Votes we did not implement were primarily due to power of attorney and/or share-blocking arrangements in key markets, which introduce additional costs and limits on trading during the share-blocking period. In these cases, we will consider the costs and benefits of implementing our votes. Where we have an important ongoing engagement and believe the vote to be a key lever for change, we may decide to take the necessary steps to exercise our voting rights.

A summary of our votes in each category of resolutions is provided in the following charts.

MANAGEMENT RESOLUTIONS (% AGAINST AND ABSTAIN)



SHAREHOLDER RESOLUTIONS (% FOR)

FOR FURTHER INFORMATION ON HOW WE VOTE, PLEASE VISIT OUR WEBSITE, WHERE WE PUBLISH ALL OUR VOTES AND RATIONALES.

COMPANY CASE STUDY: CRH: VOTING FOR NET-ZERO ACCOUNTING

THE ISSUE

CRH's efforts to decarbonise matter. Buildings – their construction and use – contribute between 30-40% of global carbon emissions.

CRH's vision to transform itself away from merely supplying construction materials to providing sustainable construction solutions is potentially transformative. Underpinning this strategy is CRH's ambition to reach net-zero carbon emissions by 2050.

Disconnect between vision and accounting assumptions

When we examine CRH's financial statements in greater detail, there seems to be a disconnect between their vision and critical accounting assumptions.

CRH's financial statements should give investors clarity on its capital strength given anticipated investments to cut carbon emissions. We also need to have confidence they reflect the expected tightening of climate policies.

THE GOALS

We strongly support CRH's vision, but we need to see bolder action to deliver it. This should start with getting the numbers right.

While we noted some improved disclosures in the financial statements, we continued to have the following concerns during 2023:

- Potential inconsistency between the financial statements and CRH's decarbonisation roadmap;
- Excessively low carbon price assumptions used in goodwill impairment testing;
- Apparent inconsistency between accounting assumptions and CRH's task force on climate-related disclosure (TCFD) disclosures;
- How tightening carbon regulations might impact CRH's assumed discount rate; and
- The lack of a comprehensive stress test for the 1.5°C-pathway.

Turning to the auditor, we welcomed Deloitte's affirmation that it has reviewed all the assumptions considering climate-related risks and management's decarbonisation targets, paying particular attention to goodwill. However, little detail was provided to give investors comfort over the assumptions management used.

WHAT WE DID

Given the above, we decided to vote as follows:[1]

- **Audit committee chair (Shaun Kelly) – Abstain:** There remained a lack of visibility for: 1) how material climate risks are reflected in critical accounting assumptions, notably the carbon price and discount rates used in impairment testing; 2) how precisely CRH's medium- to longer-term decarbonisation targets are integrated into its financial statements; and 3) the implications of a 1.5°C-pathway for its financials, given the results of the 1.5°C-scenario in CRH's TCFD disclosure suggests this is a high probability that may have a high impact;
- **Auditor (Deloitte Ireland) – Against:** While Deloitte provided additional commentary in its UK report on how climate risks have been considered, as well as on the consistency between the financial statements and climate targets, they gave no disclosure on how the medium- to longer-term decarbonisation targets were accounted for, or views on the carbon price assumptions used; and
- **Financial statements – Against:** Despite some improvements, we could not approve CRH's financial statements where there remained questions over critical accounting assumptions.

We pre-declared our voting intentions on our website.

OUTCOMES

We will only be able to assess the degree of progress when CRH publishes their 2023 annual financial statements. However, we will no longer be able to vote on them as CRH de-listed from the London Stock Exchange in September 2023 and US voting requirements do not include financial report and accounts. We have also exited our position in CRH. Since we have seen improved disclosures in the 2023 financial statements compared to the 2022 statements, we hope to see more progress in 2024.

[1]Note that the focus here is on accounting and audit-related voting. Please see our published votes and rationale on our website in the quarter following the AGM here.

VOTING PROCESS

Voting decisions are embedded within the asset management team rather than undertaken as a siloed activity by the stewardship team. This ensures we are as informed as possible in taking more complex decisions. We also believe the insights gained from involvement in the voting and associated engagement process enhances our investment decision-making as outlined under **Principle 7**. For instance, where we vote against directors or remuneration, this would feed into the governance pillar of our SIM assessment for that entity.

During proxy voting season, where our 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, an ISS alert is sent to the company's research analyst, portfolio manager and – in the case of a referred item or company on our active engagement list – the stewardship leads. These individuals will review the vote to determine what action is in our clients' best interests. As inputs into this process, we will draw on our engagement experience, company disclosures, ISS research, MSCI ESG research and other independent research. Where pertinent, we also consider the views of government officials, non-governmental organisations and other influential stakeholders. We may seek additional inputs from the company and reach out to co-shareholders to share perspectives.

STEWARDSHIP OUTCOMES

While we are often not alone in pressing for change, and are therefore cautious about claiming that our activities alone have generated a positive outcome, we seek to identify the related impacts where we are the lead investor and have built coalitions behind our efforts.

Examples we have outlined in this and previous reports include our engagement effort on net-zero aligned accounting and audit with Shell, BP, Air Liquide, Rio Tinto, CRH, Equinor and Enel (see **Principles 9, 10** and **11**). In these cases, we subsequently saw substantial improvements in the disclosure of climate risks in financial statements and, in several cases, changes to critical accounting assumptions resulting in asset impairments.

At several companies where we voted against the chair of the nomination committee in previous years, we have seen improvements in board diversity in 2023. Examples include Unite Group, Thermo Fisher, Costco, Tencent and ServiceNow.

REPORTING: WE DISCLOSE OUR VOTING ACTIVITY

We send a quarterly summary of our voting record and profiles of significant company votes to clients, and more often when requested (see **Principle 6**). These disclosures are also available through our client portal.

Every quarter we publish a full record of all our company votes, including the relevant rationales, on our website.

Additionally in 2023, we approved a Proxy Voting Dashboard, an online voting disclosure tool where users can see all our votes and filter them by time period, fund or company.

Examples of significant votes reported to clients are reproduced below.

EXAMPLES OF VOTE REPORTING IN 2023

COMPANY	DATE	RESOLUTION	HOW WE VOTED FOR YOU	RESULT
Cisco Systems	06 Dec 2023	Report on tax transparency	For	Failed For: 25.16%

Tax authorities globally have repeatedly challenged Cisco Systems' tax practices. Therefore, we supported the shareholder resolution asking the company to report country-by-country tax information under the Global Reporting Initiative Standard. Cisco Systems does not currently disclose disaggregated profits or tax payments in non-US markets. A lack of such transparency in tax reporting makes it difficult to evaluate whether the company engaged in responsible tax practices and whether it faces risks from changes in tax regulations. The issue is at the core of sustaining long-term value for society because potential tax avoidance impacts governments' ability to fund services to its citizens.

COMPANY	DATE	RESOLUTION	HOW WE VOTED FOR YOU	RESULT
Medtronic	19 Oct 2023	Elect Director Denise M. O'Leary	Against	Passed For: 89.69%

We voted against the election of two directors due to their long tenure. Most notably, director Denise O'Leary has been on the board for 23 years. We see such a long tenure as a risk to board independence, which is important to ensure adequate checks and scrutiny of the company's executive team.

We also voted against Denise O'Leary in her capacity as the chair of the audit committee. We usually vote against the re-election of audit committee chairs if we have voted against the appointment of the auditor or the report and accounts for two or more years, but our concerns have not been addressed adequately. This has been the case here, as we had raised concerns about the auditor's excessive tenure in previous years. PwC has been Medtronic's auditor since 1963.

COMPANY	DATE	RESOLUTION	HOW WE VOTED FOR YOU	RESULT
Microsoft	07 Dec 2023	Report on risks related to AI generation misinformation	For	Failed For: 21.16%

Ethical AI is of growing importance and should be met with adequate reporting and monitoring. Historically, Microsoft has taken steps to mitigate operational risks in regard to generative AI and have arguably been leaders on publishing responsible AI principles and policies. However, given the speed of development in AI technology, we have voted for the shareholder proposal asking Microsoft to enhance its reporting of such risks. As a leader in generative AI, Microsoft is well positioned to set an example to other market participants.

Source: Sarasin & Partners, 2023

FIXED INCOME

Although creditors do not have a vote at company AGMs, they exercise bondholder rights and responsibilities in the following ways:

PRE-ISSUANCE ENGAGEMENT

First, creditors 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 typically involve discussions on aspects of the prospectus. It may also focus on the terms of other indentures or security trust and intercreditor deeds, which outline terms relating to, for instance, coupon payments, redemption, any covenants (like certain debt leverage), reporting schedules, issuer rights and bondholder rights, as well as voting rights for amendments.

We will specifically seek to discuss the creditworthiness of the issuer, management strategy or information disclosure commitments. ESG 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, creditors can often vote on major corporate actions. These are an important point of influence for creditors, especially since the threshold for approval is usually around 75%.

We conduct detailed due diligence on any proposed amendments to existing indentures we hold, especially where this involves a 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 scenarios can be more difficult and we have had instances where we have not accepted corporate actions. The decision to exercise our rights and responsibilities is taken by the fixed income team.

In 2023 we faced 16 corporate actions demanding votes and we consented on 14 (given the terms of the action were beneficial to bondholders). If a corporate action is immaterial, we do not vote. This allows us to retain liquidity because securities are generally not tradable while they are involved in corporate actions.

ONGOING MONITORING AND ENGAGEMENT

As credit investors we continuously analyse and review our rights for any indentures we hold in light of the issuers' creditworthiness. As we seek to avoid default and any event where we would be in a position to have a claim against the assets of an issuer (breach of covenants, for example), we always seek 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.

APPENDIX 1 – LIST OF COMPANIES ENGAGED IN 2023

COMPANY	GLAs*
3I GROUP PLC	1
3I INFRASTRUCTURE PLC	1
ACTIVISION BLIZZARD INC	3
AIA GROUP LTD	7
AIR LIQUIDE SA	8
ALPHABET INC-CL A	8
ALSTOM	8
AMAZON.COM INC	18
AMGEN INC	5
APAX GLOBAL ALPHA LTD	2
APPLE INC NPV	7
ARAMARK	3
ASML HOLDING NV	1
ASOS PLC	1
ASTRAZENECA PLC	1
BANK OF NOVA SCOTIA	10
BARCLAYS PLC	2
BARRATT DEVELOPMENTS PLC	4
BELLWAY PLC	1
BELONG LIMITED	3
BIOPHARMA CREDIT PLC	1
BLACKROCK INC	8
BRITVIC PLC	1
BROADCOM INC	3
CENTRICA PLC	1
CHIPOTLE MEXICAN GRILL INC	4
CISCO SYSTEMS INC	4
CME GROUP INC	25
COLGATE-PALMOLIVE CO	7
COMPASS GROUP PLC	4
CORDIANT DIGITAL INFRASTRUCT	2
COSTCO WHOLESALE CORP	6
CRANSWICK PLC	2
CRH PLC (LN) GBP	6
DAIKIN INDUSTRIES LTD	5
DEERE & CO	11
DERWENT LONDON PLC	1
DS SMITH PLC	9
DSM-FIRMENICH AG	3
ELECTRICITE DE FRANCE SA	3
EQUINIX INC	11
EQUINOR ASA	17
ESSILORLUXOTTICA	2
GIVAUDAN-REG	5
GSK PLC	1
HALEON PLC	1
HALMA PLC	1

COMPANY	GLAs*
HEXAGON AB-B SHS	3
HOME REIT PLC	52
HOWDEN JOINERY GROUP PLC	1
HSBC HOLDINGS PLC	10
HYDRO ONE LTD	2
IGO LTD	11
ILLUMINA INC	13
IMI PLC	1
ING GROEP NV	8
INTERCONTINENTAL HOTELS GROUP	1
INTERCONTINENTAL HOTELS GROUP PLC	2
INTERNATIONAL PUBLIC PARTNERSHIP LTD	3
INTERTEK GROUP PLC	1
JIGSAW	6
JPMORGAN CHASE & CO	14
KEYENCE CORP	4
KONINKLIJKE AHOLD DELHAIZE N	1
LEGAL & GENERAL GROUP PLC	17
LLOYDS BANKING GROUP PLC	2
LONDON & QUADRANT HOUSING TRUST	3
LONDON STOCK EXCHANGE GROUP	8
LVMH MOET HENNESSY LOUIS VUI (EN PARIS)	5
LYNAS RARE EARTHS LTD	3
MASTERCARD INC - A	3
MEDTRONIC PLC	7
MERCK & CO. INC.	3
META PLATFORMS INC-CLASS A	6
MICROSOFT CORP	11
MIDDLEBY CORP	6
MOLTEN VENTURES PLC	3
MOODY'S CORP	5
MORGAN STANLEY	1
NATIONAL GRID PLC	1
NATWEST GROUP PLC	1
NESTLE SA-REG (CHF)	7
NOTTING HILL GENESIS	3
NUTRIEN LTD	3
OCADO GROUP PLC	1
OTIS WORLDWIDE CORP	4
OXFORD BIOMEDICA PLC	1
OXFORD INSTRUMENTS PLC	5
PLACES FOR PEOPLE HOMES LTD	6
PROLOGIS INC	8
PRUDENTIAL PLC	4
RECKITT BENCKISER GROUP PLC	5
RELX PLC	1
RENEWABLES INFRASTRUCTURE GROUP	1

COMPANY	GLAs*
RIO TINTO PLC	14
SAFESTORE HOLDINGS PLC	1
SAMSONITE INTERNATIONAL SA	11
SCHIEHALLION FUND LTD/THE	2
SCHNEIDER ELECTRIC SE	4
SEGRO PLC	1
SEQUOIA ECONOMIC INFRASTRUCT	1
SERVICE CORP INTERNATIONAL	7
SERVICENOW INC	2
SIEMENS AG-REG	9
SIEMENS HEALTHINEERS AG	3
SIKA AG-REG	3
SMITH & NEPHEW PLC	8
SOFTCAT PLC	1
SONDREL HOLDINGS PLC	3
SPLUNK INC	1
SSE PLC	1
SSP GROUP PLC	1
STANDARD CHARTERED PLC	1
SYNCONA LTD	2
TENCENT HOLDINGS LTD	16
TETRA TECH INC	1
THERMO FISHER SCIENTIFIC INC	8
UNILEVER PLC (EUR)	4
UNITE GROUP PLC/THE	2
UNITED PARCEL SERVICE-CL B	8
US SOLAR FUND PLC	13
VH GLOBAL SUSTAINABLE ENERGY	3
VODAFONE GROUP PLC	1
VONOVIA SE	6
WALT DISNEY CO/THE	7
WELLS FARGO & CO	4
WEYERHAEUSER CO	6
WH GROUP LTD	1
WH SMITH PLC	1
WORKSPACE GROUP PLC	1
TOTAL	**663**

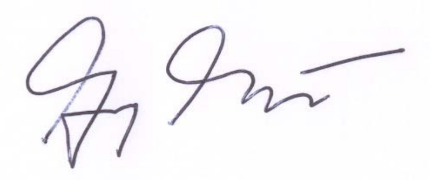
* Number of goal-linked activities (GLAs)

APPENDIX 2 – LIST OF SOME ACRONYMS USED ACROSS THE REPORT

ACRONYM	DEFINITION	PRINCIPLES WHERE IT IS MENTIONED
SIM	Sustainabilty Impact Matrix, Sarasin's proprietary ESG assessment framework	All
SSC	Saasin Stewardship Steering Committee, a governance body for stewardship activities	2, 5
CMG	Sarasin Conflict Management Group	3
DEI	Diversity, equity and inclusion	1, 2, 9
WBA	World Benchmarking Alliance	4, 10
IIGCC	Institutional Investors Group on Climate Change	2, 4, 5, 11, 12
NZAM	Net Zero Asset Managers Initiative	1, 2, 4, 6, 7, 9
ISS	Institutional Shareholder Service	2, 4, 6, 8, 12
SRD II	European Shareholder Rights Directive	9, 12
SDR	Sustainability Disclosure Requirements and investment labels (the new UK set of rules and guidance that has been designed by the Financial Conduct Authority (FCA) to ensure that sustainability-related claims about firms' products and services are fair, clear and not misleading	1
IASB	International Accounting Standards Board	4
FRC	UK Financial Reporting Council	1, 4, 5
FCA	UK Financial Conduct Authority	1, 6, 9, 10
CA100+	Climate Action 100+ collaborative engagement initiative	4, 10, 11
CVAR	Climate value at risk, Sarasin's approach to quantify the potential valuation consequences of a 1.5°C-pathway for higher-risk equity holdings	7
CAL	Climate amber list, includes our investee companies most exposed to climate risks	7, 11, 12
CEO	Chief Investment Officer	9, 11, 12
CFO	Chief Financial Officer	4, 9, 11

APPROVAL

This report has been approved by



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

Natasha Landell-Mills, chair of Stewardship Steering Committee
of Sarasin & Partners LLP

Date: Effective April 2024

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