SARASIN
& PARTNERS

# 2024 STEWARDSHIP REPORT

ANNUAL REPORT FOLLOWING
THE UK STEWARDSHIP CODE

# APPROVAL

This report has been approved by the Board of Sarasin & Partners LLP

**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 2025

## IMPORTANT INFORMATION

**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.**

# FOREWORD

The past year has been a turning point for responsible stewardship. Amid a landscape of geopolitical turmoil, financial market volatility and potential regulatory shifts, we have remained steadfast in our commitment to securing long-term value for our clients through engaged ownership and responsible investment.

The return of a US administration more sceptical of collective action on issues like climate change, human rights, and diversity, equity, and inclusion (DEI) has accelerated a broader backlash against sustainability-focused investing. This shift has led to increased scrutiny of environmental, social, and governance (ESG) considerations, as well as shareholder activism, particularly in North America, where some asset managers have sought to distance themselves from prior commitments. In the UK and Europe, however, regulators are still pursuing a different path, introducing new requirements to enhance transparency and accountability in sustainable finance.

## COMMITTED TO LONG-TERM VALUE

These external pressures have not deterred us from our purpose to deliver enduring returns for clients. We do this by thinking thematically, investing responsibly, and driving change. Our investment philosophy remains unchanged. We are convinced that companies and financial markets function best when investors take an active and engaged approach, ensuring that businesses are run in a manner that aligns with long-term economic, social and environmental sustainability.

We understand that short-term political cycles can create turbulence, but we remain focused on the enduring structural trends that shape investment outcomes. Effective stewardship requires persistence and a willingness to engage deeply with the companies and markets in which we invest. We believe that this approach strengthens the financial system as a whole, benefiting not just our clients but also the wider economy and society.

## OUR KEY STEWARDSHIP PRIORITIES

Our stewardship efforts over the past year have been shaped by three core themes:

- Driving real-world decarbonisation. Despite political headwinds, we have maintained our focus on climate risk. We have engaged with banks to encourage stronger net-zero commitments and sought greater alignment between corporate financial statements and climate realities through policy outreach and company engagements. Our shareholder resolution at Norwegian state-owned energy company Equinor, urging greater transparency on capital allocation in a decarbonising world, reflects our proactive approach to securing long-term value. Addressing climate risk is a fundamental responsibility of asset managers, and we continue to push for higher standards of risk disclosure, meaningful transition plans and greater accountability from corporate leadership.
- Strengthening shareholder rights and engagement. In response to oil and gas major ExxonMobil's attempt to litigate against shareholder resolutions, we joined forces with other investors to push back against efforts to curtail shareholder advocacy. The ability of investors to challenge corporate strategy remains essential to long-term financial market health, and we will continue to defend this principle. Engaged shareholders play a crucial role in holding corporate boards accountable and ensuring that executive decision-making is aligned with long-term value creation. Among other measures, we have introduced a 'Further Escalation Rule' that leads to voting against the chair when we don't see sustainable change over a long period of time. We have advocated for net zero voting policy among peer asset managers and engaged with proxy voting service provider ISS aiming to enhance their climate policy standards.

- Advancing responsible technology governance. The rapid acceleration of artificial intelligence (AI) has highlighted both its potential and its risks. Our engagements with major technology companies have focused on ensuring AI development aligns with ethical standards and safeguards fundamental human rights. We have called for greater transparency in AI model governance, enhanced oversight of digital risks and human rights impact assessments to prevent the misuse of AI-driven technologies.

### UPHOLDING THE HIGHEST STANDARDS

While external pressures on sustainable investment have grown, we firmly believe that robust stewardship is not about following trends – it is about ensuring companies are well-positioned to navigate future challenges. Our role is to uphold the highest standards of governance, advocate for financial transparency and drive responsible business practices that will benefit our clients and society over the long term.

Transparency is key to maintaining trust and demonstrating the tangible impact of our work. We will continue to refine our disclosure practices, ensuring that our clients and stakeholders have access to the information they need to evaluate our progress.

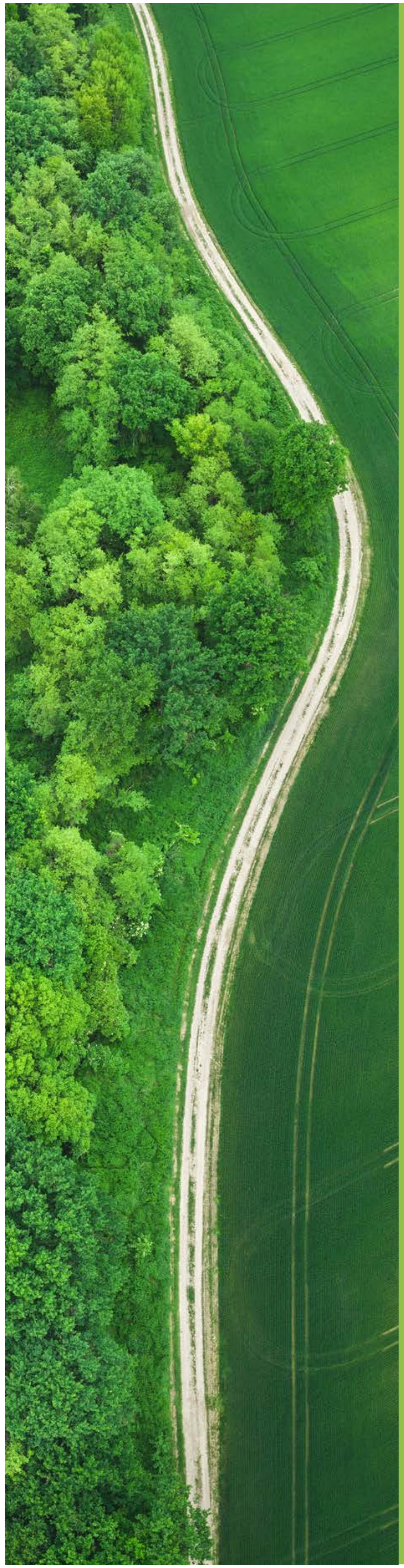
### LOOKING AHEAD

As we look ahead, we remain committed to integrating stewardship into our investment approach. We continue to believe that investors who take an active role in shaping the companies they own will be better positioned to deliver enduring returns. The economic landscape may evolve, but our guiding principles remain the same: long-term thematic thinking, responsible investment, and a commitment to positive change.

We invite you to explore the details of our engagement and advocacy efforts in our *2024 Stewardship Report*. Through thoughtful stewardship, we aim to create lasting value for our clients and contribute to a more sustainable and resilient global economy.



# CONTENTS



# PRINCIPLE 1
# PURPOSE, STRATEGY AND CULTURE

**Sarasin & Partners is a London-based limited liability partnership offering discretionary asset management services to charities, private clients, intermediaries and institutional investors in the UK and globally. As of 31 December 2024, our assets under management were £18.5 billion.**

## OUR PURPOSE AND MISSION

**Our purpose is to deliver enduring returns for clients. We do this by thinking thematically, investing responsibly and driving change. Together we can secure tomorrow.**

Our core commitment to 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 define our culture. They shape our day-to-day behaviour, priorities and approach to solving problems. This report demonstrates how these values inform our investment decisions, how we support our clients, our external stakeholder interactions, and business strategy. We highlight three core values that are central to how we manage our clients' assets:

- **Partnership**. We look after our clients' interests as if they are our own.
- **People**. We believe in teamwork and recognise that we are stronger together. Diversity in all forms strengthens us.
- **Stewardship**. We are long-term investors, committed to acting as responsible owners to create enduring value for our clients.

## OUR BELIEFS

We believe that delivering durable returns requires a long-term investment perspective and active stewardship. Our approach is guided by the following principles:

**We invest for the long term**. We purchase shares or fixed income securities where we see potential for enduring value creation or capital protection, particularly when these factors are underappreciated by the market. Our thematic approach directs us to markets and activities that offer long-term growth opportunities.

**Sustainable entities create more enduring value**. We favour businesses with clear long-term strategies and a strong sense of responsibility towards their customers, employees, communities, the environment and investors. We avoid issuers whose success depends on causing significant harm to society or the environment unless these issues can be addressed through active engagement.

**Engagement adds value**. We work with the leadership of the entities we invest in, supporting long-term value creation while challenging unsustainable behaviour. Responsible and proactive ownership work is as crucial as selecting securities to buy or hold.

**Judgement is essential**. We recognise that the world is complex, with varying standards, rules and expectations across countries and communities, and the potential for unintended consequences is high. We avoid rigid rules, instead focusing on delivering enduring value to our clients.

**We take a holistic approach**. Many barriers to sustainable growth stem from policy or market failures rather than company decisions. Where we identify harmful market-wide practices or behaviours, we engage with governments, regulators, standard setters and other key influencers to drive positive change.

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 strategic pillars.

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

For equities, we implement a thematic investment process, selecting companies that align with significant global trends shaping the investment landscape over the long term. These are climate change (transition and adaptation), digitalisation, automation, ageing and evolving consumption. For fixed income, we prioritise investments that generate positive externalities, such as renewable energy infrastructure, housing associations, education, public transport and the not-for-profit sector.

Our investment process incorporates rigorous bottom-up analysis of ESG factors, net zero alignment assessments and climate risk stress testing. Further details are provided under **Principle 7**.

**Key components of our thematic investment process**

- **Aligning with long-term global trends.**
- **Conducting rigorous bottom-up ESG analysis.**
- **Ongoing monitoring of investments.**

### 2. ACTIVE OWNERSHIP

Fulfilling our ownership responsibilities is integral to our investment process. Our Ownership discipline document guides our engagement activities. Once we invest in an issuer's security, we:

- Monitor its strategic outlook and ESG performance.
- Engage regularly with board members and management.
- Vote thoughtfully, following our Corporate governance and voting guidelines.
- Escalate concerns when necessary, including forming investor coalitions, voting against directors or auditors, making public statements or filing shareholder resolutions.

Further details can be found under **Principles 9, 11** and **12**.

**Key components of active ownership**

- Impactful engagements.
- Thoughtful voting.
- Robust escalation processes.

### 3. THOUGHT LEADERSHIP AND POLICY OUTREACH

Where we identify market practices or policies that encourage harmful or unsustainable corporate behaviour, we advocate for change. We engage with investors, non-governmental organisations, policymakers, regulators and market influencers to shape a market environment where sustainable behaviours are rewarded, and harmful activities are penalised. Further details are available under **Principle 4**.

**Key components of thought leadership and policy outreach**

- Speaking out on key issues.
- Engaging with industry partners.
- Helping shape the policies that promote sustainable returns.

We believe these three pillars are mutually reinforcing and essential to delivering long-term value for our clients. We do not outsource our stewardship responsibilities, as this work is a core part of our investment process.

We also offer investment approaches that incorporate additional ethical or values-based exclusions and ESG tilts, including our Climate Active and Tomorrow's World strategies (see **Principle 6** for further detail).

## PRIORITISATION

We prioritise our stewardship efforts through key stewardship initiatives, each addressing significant ESG factors affecting our clients' holdings. Typically, these initiatives span multiple years. They combine company and policy engagement to drive sustainable outcomes.

We assess and refine our priorities continuously, ensuring responsiveness to emerging social and market trends.

### 2024 STEWARDSHIP INITIATIVES

- **Paris alignment.** Promoting alignment with the Paris Agreement's 1.5˚C pathway and advocating for supportive policies.
- **Social value chain.** Ensuring responsible corporate behaviour regarding employees, suppliers, customers and communities. Focus areas include diversity, equity and inclusion (DEI), human and labour rights.
- **Good governance.** Advocating for strong governance structures, including diverse, independent and effective boards, aligned executive remuneration and robust internal controls.
- **Robust and independent accounting and audit.** Ensuring accounting practices that prioritise long-term capital protection and independent audit oversight. We expect strict policies to prevent conflicts of interest, regular audit firm rotation and meaningful disclosures by auditors to investors.
- **Responsible tech.** Addressing digital risks, including privacy, security threats, violation of intellectual property rights, biases and disinformation, anti-competitive behaviour and tax avoidance.
- **Circularity**[1]. Promoting a sustainable circular economy, with a focus on reducing plastic use and increasing recycling and reuse.

Further details on our prioritisation and engagement strategies are provided under **Principle 4** and **9**.

## EFFECTIVENESS OF OUR APPROACH

The impact of our approach is demonstrated through changes in company behaviour, policy reforms and market standards. Key metrics and case studies illustrating these impacts are covered throughout this report:

- **Principle 4.** The impact of our policy outreach initiatives.
- **Principle 5.** Our internal processes for reviewing and assessing stewardship effectiveness, including third-party evaluations.
- **Principle 6.** How we engage with clients to align our approach with their investment strategies.
- **Principle 9.** Statistics on engagement milestones and impacts, with case studies for equities, fixed income and alternative investments.
- **Principle 10.** Examples of impactful collaborative engagements.
- **Principle 11.** Case studies of escalation strategies and their outcomes.

## OUR PUBLIC STEWARDSHIP POLICIES

If you are interested in learning more about our approach to responsible investment and stewardship, the following key documents are available on our website:

- Principles for engaged company ownership.
- Our ownership discipline.
- Corporate governance and voting guidelines.
- Our stewardship framework.

For further detail on how we integrate stewardship into our investment process, engage with companies and advocate for responsible corporate behaviour, visit sarasinandpartners.com/stewardship

[1] Renamed to 'Nature and circularity' in 2025.





## CASE STUDY: STAYING THE COURSE IN A DISORDERLY WORLD

### IF WE WERE TO SUM UP THE ZEITGEIST OF 2024, IT WOULD BE: ESG OUT AND UNFETTERED ANIMAL SPIRITS IN.

Sustainability is no longer the shiny new thing on sale in investment managers' windows. In fact, particularly in the US, managers appear to be rushing to distance themselves from past commitments – removing any signs of previous involvement in initiatives to combat climate change, biodiversity loss or human rights issues.

This sudden U-turn needs to be understood in the context of global politics, particularly in the US. In November 2024, President Trump was elected to a second term. While extraordinary in many respects, his return to the White House sent an unambiguous message: the anti-establishment and anti-sustainability movement sweeping across America (and increasingly rippling across the world) is not a passing trend but a new normal.

While these political realignments are profound and far-reaching, we focus here on the implications for the investment industry, specifically how our commitment to responsible stewardship remains unchanged.

### THE BUTTERFLY EFFECT FROM EXXON'S SHAREHOLDER LITIGATION

A defining moment that crystallised how these broader political shifts were affecting shareholder–company relationships came in January 2024, when ExxonMobil launched legal action against two shareholders, Arjuna Capital and Follow This.

The company sought court intervention to dismiss a shareholder resolution that called on Exxon to commit to reducing carbon emissions in line with the Paris Climate Agreement goals. But this legal action was about more than just removing a single resolution from the 2024 AGM ballot – Exxon apparently wanted to send a clear message to all investors: company strategy is the exclusive domain of management.

In our view, Exxon's legal action posed a significant threat to shareholder rights, with the potential to create a chilling effect on shareholder engagement across the US market. This, in turn, could undermine long-term market efficiency and investor returns.

The world learned a painful lesson during the 2007–08 Financial Crisis: the promise of capital markets (to promote long-term sustainable growth) depends on engaged shareholders. Investors play a vital function in holding boards accountable. When shareholders are disengaged or absent, corporations can become 'ownerless', pursuing management's interests with little regard for the long-term health of the company or capital markets more broadly.

In response to Exxon's legal action, Sarasin joined 38 global investors representing $5.2 trillion in assets, signing a public statement in May 2024.[2] We also set out our thinking in a blog post.

Exxon's case was ultimately dismissed by the court, as the shareholder resolution had been withdrawn and the filer committed not to submit future climate-related resolutions.[3] However, the starting gun had been fired – any shareholder considering escalating concerns through AGM action would now have to weigh the risk of litigation.

### THE GROWING HOSTILITY TOWARD SHAREHOLDER ADVOCACY

The backlash against shareholder engagement intensified further in December 2024, when the US House Judiciary Committee sent letters to over 60 US asset managers, alleging that their participation in the Net Zero Asset Managers (NZAM) initiative constituted collusion "to impose radical environmental, social and governance goals on American companies".

The committee warned of potential civil and criminal penalties for those involved. In January 2025, NZAM suspended its activities pending a review.

While this anti-ESG sentiment is most virulent in the US, similar trends are emerging globally. Political discourse has become increasingly polarised and fractious.

We are witnessing nothing less than the dismantling of the post-war consensus on multilateralism and collective action, in favour of a more isolationist and unilateral approach. This shift extends beyond environmental concerns and is affecting global institutions governing trade, security, aid and human rights. Good governance at a global level is being challenged.

### OUR COMMITMENT TO RESPONSIBLE STEWARDSHIP

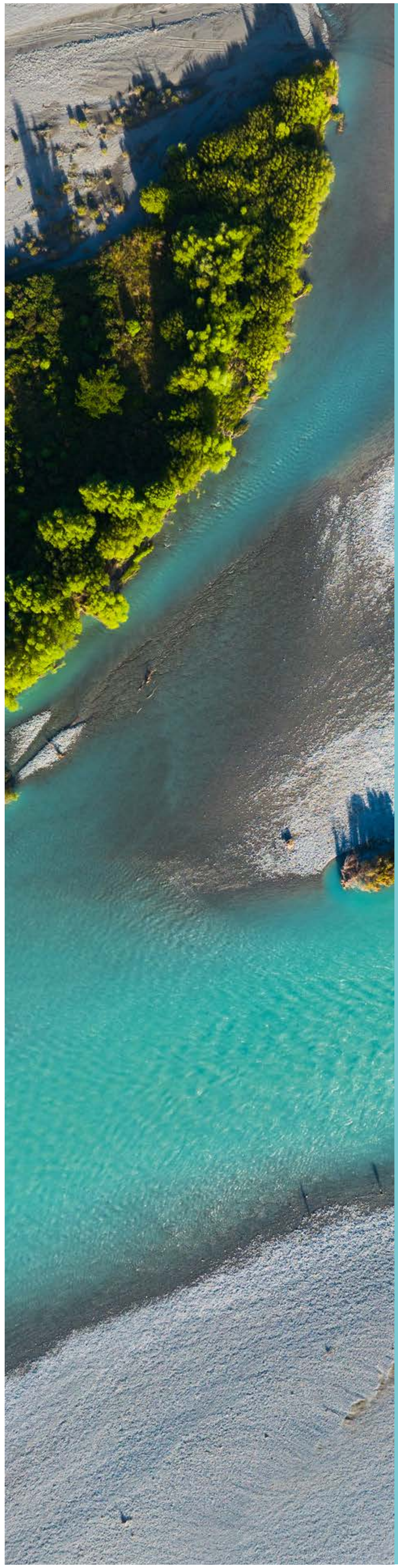
Through this Stewardship Report, we want to reaffirm that we remain fully committed to the core values and principles that have underpinned our investment philosophy for many years. A thoughtful and responsible approach to investment, ownership and engagement is more important than ever during times of uncertainty. Our responsibility is clear:

- Put our clients' long-term interests first.
- Engage constructively with companies to promote responsible capital management.
- Advocate for a sustainable financial system that supports long-term value creation.

This is what we have always done, and what we will continue to do.

[2] Investor statement on shareholder rights, May 2024

[3] US judge dismisses Exxon case against activist investor over proxy filing, June 2024



# PRINCIPLE 2

# GOVERNANCE, RESOURCES AND INCENTIVES

**A robust governance structure is essential for effective stewardship. This structure should include clearly defined roles and responsibilities, effective challenge processes, aligned incentive structures, rigorous monitoring and clear lines of accountability.**

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

## GOVERNANCE

The organisational charts presented here provide an overview of the key elements of our governance structure at both the firm level and within our asset management department.

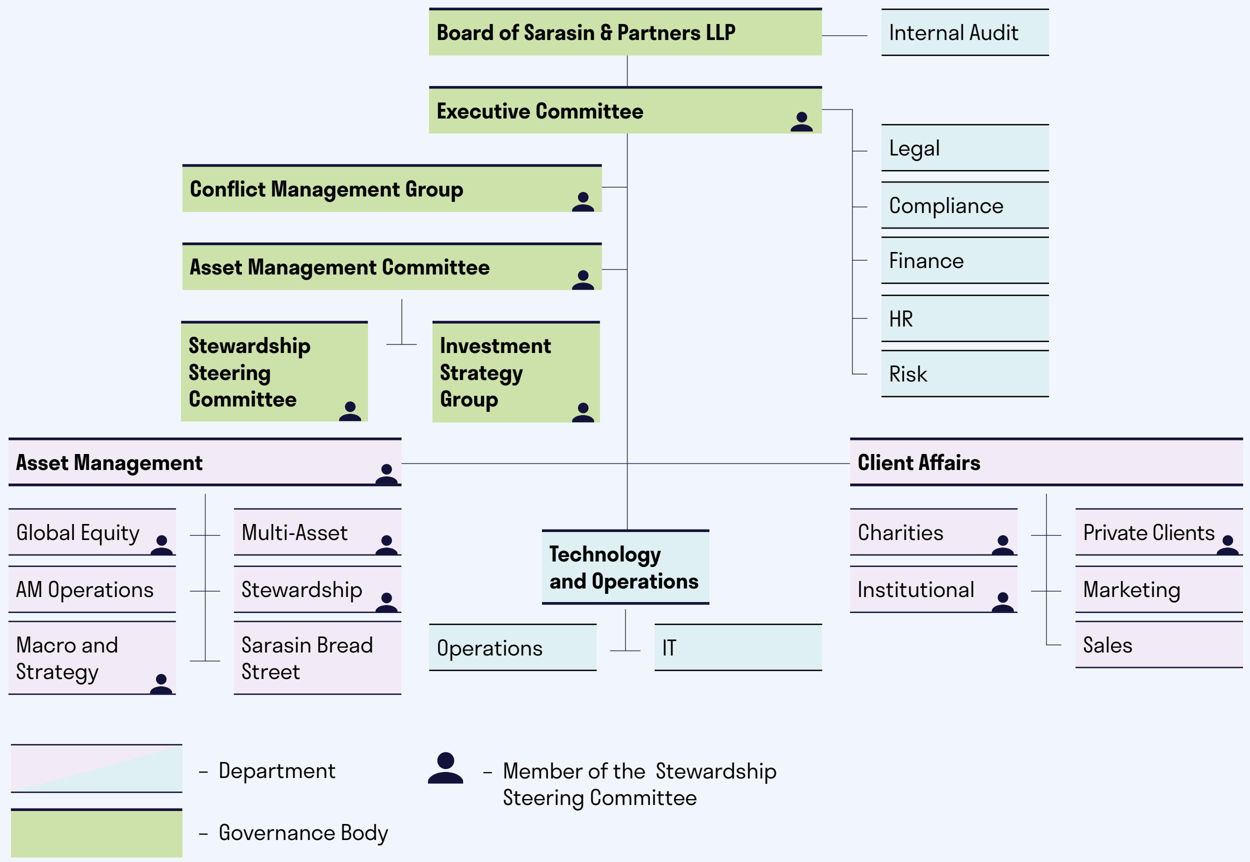
**The Board of Sarasin & Partners LLP** holds overall responsibility for managing the business. It sets the firm's strategy but delegates implementation and day-to-day management to the Executive Committee. The board comprises 21 partners, two independent non-executive directors and two representatives from our parent company, J. Safra Sarasin Group. Stewardship is a routine item on our board agenda.

**The Executive Committee**, chaired by the Managing Partner, includes representatives from Asset Management, Client Affairs, and the Chief Operating Officer. This committee is responsible for day-to-day decision-making, as well as implementing the board's agreed budget and strategy. It also approves key strategic, operational and reporting decisions relating to stewardship. These decisions are typically escalated from the Asset Management Committee or the Stewardship Steering Committee.

**The Investment Strategy Group (ISG)**, chaired by the Head of Investment Strategy, assesses the long-term macroeconomic outlook to inform asset allocation and investment strategy. Sustainability is integrated into our expected returns approach.

**The Asset Management Committee (AMC)**, chaired by the Head of Asset Management, includes representatives from Asset Management and other departments, including the Chief Operating Officer. The AMC reviews strategic and operational proposals from the Stewardship Steering Committee. It either approves these directly, where it has the authority to do so, or escalates them to the Executive Committee for approval.

### SARASIN & PARTNERS ORGANISATIONAL CHART




Source: Sarasin & Partners, 31 December 2024

**The Stewardship Steering Committee (SSC)**, chaired by the Head of Stewardship, ensures effective oversight, cross-business input and support for the firm's stewardship work.

- **Membership.** Includes senior representatives from across the business, such as the Managing Partner, Head of Asset Management and Chief Operating Officer.
- **Meetings.** Held at least quarterly, with agendas covering engagement and policy priorities, monitoring stewardship activities across asset classes, reviewing external stewardship reporting and managing stewardship commitments in line with evolving client expectations and regulations.
- **Controls.** Stewardship-related policies and procedures are reviewed by the SSC before they receive formal approval by the AMC when regulatory requirements apply.
- **Reporting.** The SSC reports into the AMC, with decisions and subsequent actions communicated to the relevant individuals and governing bodies.

**The Head of Stewardship** is responsible for shaping and overseeing stewardship activities, working closely with the Head of Global Equity, Head of Multi-Asset and Head of Global Equity Research. Other responsibilities include leading our public policy positioning, while stewardship specialists identify and prioritise stewardship issues.

Alongside our internal governance structures, we periodically establish advisory panels comprising external experts. In 2017 we created the **Climate Active Advisory Panel** to guide our approach to climate change and decarbonisation. The panel meets formally four times a year, supplemented by informal communications. Discussions focus on investment analysis, corporate engagement and policy outreach to drive robust climate action.

## 2024 RESOURCE AND SYSTEM ENHANCEMENTS

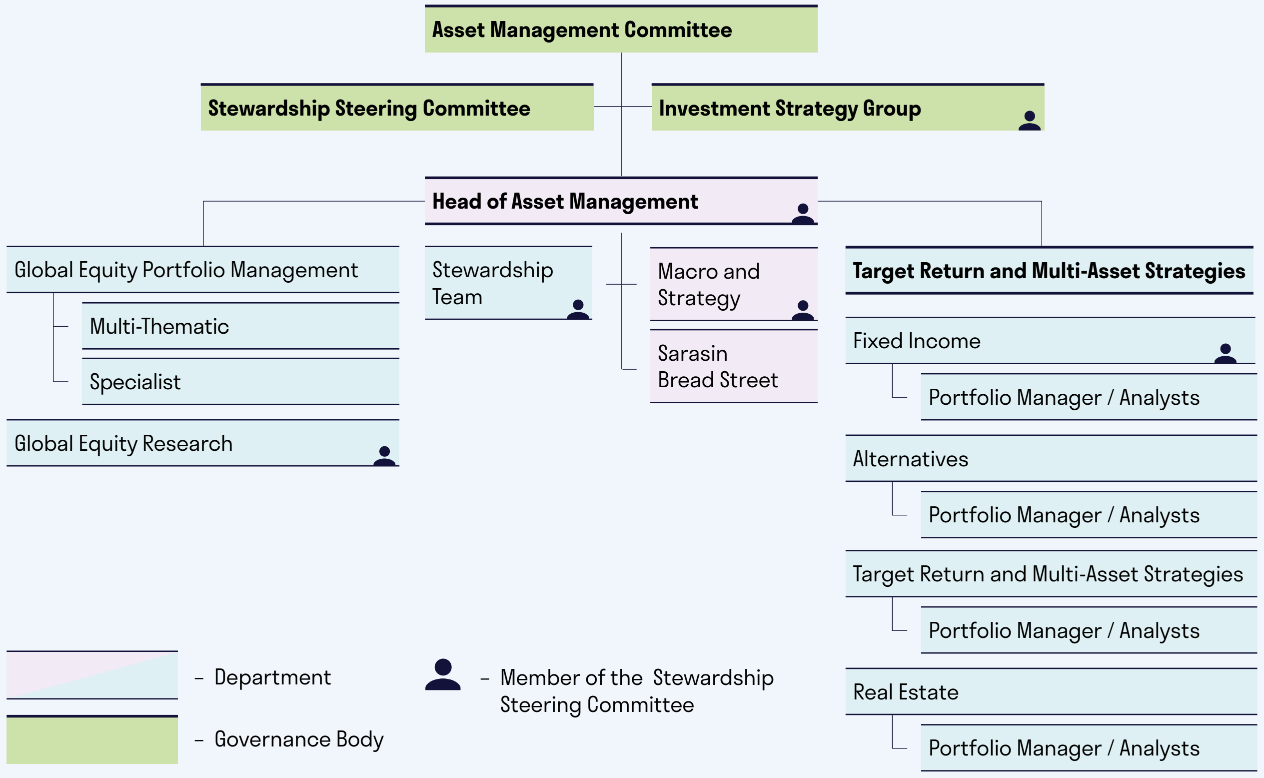
### STEWARDSHIP

One of the most impactful enhancements in 2024 was the implementation of the Further Escalation Rule (FER) to our proxy voting. This complements our existing escalation approaches, such as voting against board committee chairs when we see no progress for two consecutive years. Under FER, we hold board chairs accountable for lack of progress over four years.

Additionally, we launched a project to upgrade our engagement tracker and our engagement reporting tool, enhancing centralised record-keeping and improving communication within the asset management team. These tools support:

- More effective discussions with issuers.
- Stronger controls over escalation steps.
- Closer links between engagement and investment analysis.

## ASSET MANAGEMENT ORGANISATIONAL CHART




Source: Sarasin & Partners, 31 December 2024





We also continued our initiative to inform investee company boards of our ESG concerns by sending post-proxy letters to 50 companies, reinforcing these discussions in subsequent engagements.

### GLOBAL EQUITY

Our investment process continuously evolves to meet regulatory requirements, incorporate new data sources and optimise analysis for better investment outcomes. In 2024, we refined our thematic investment process, enhancing our quant screening tool to include additional indicators measuring historical quality, growth and income factors. These improvements assist analysts and portfolio managers in evaluating future rates of returns and prioritising new stock ideas. After a successful testing phase, we formally launched the new process in January 2025.

Following a review of the quality and comprehensiveness of MSCI ESG Manager data, we integrated relevant data points into our Sustainability Impact Matrix (SIM). This enhances our ESG risk and opportunity analysis, allowing for better comparisons across industries, geographies and benchmarks. The integration preserves scope for analytical judgment and overriding to ensure insights gained through deeper research, engagements and voting are properly reflected.

### FIXED INCOME

In 2024, we:

- Reviewed and updated our fixed income ESG process and materiality map.
- Conducted net zero alignment assessments for high-carbon bond holdings.
- Updated our climate stress testing to align with our NZAM commitments.

### ALTERNATIVES

We invest in alternative assets through listed investment trusts and open-ended UCITS. In 2024, we consolidated our holdings, increasing exposure to funds where we have high conviction, while removing lower-conviction investments from our buy list.

To strengthen our ESG research on alternative funds, we intensified our focus on the governance of investment trusts, encouraging boards and managers to better align with shareholder interests. This aims to ensure investment trusts remain relevant for private investors in an expanding private markets landscape.

## RESOURCES

As of 31 December 2024, our asset management team comprised 52 employees, including four dedicated stewardship specialists.

Stewardship efforts extend beyond these specialists, as analysts across equity, fixed income and alternatives integrate ESG considerations into their work, supported by stewardship specialists. Company engagement and voting are joint responsibilities across teams. (For further details see **Principles 7** and **9**.)

Our research and stewardship specialists bring experience from asset management, non-governmental organisations, policy research institutions and business, fostering diversity of thought and challenge in stewardship thinking.

See the box on page 14 for our firm's broader efforts on diversity and inclusion.

## SUPPORT AND INCENTIVES FOR STEWARDSHIP

Investment professionals are expected to stay informed on ESG risks and opportunities, leveraging research providers and attending training, 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 2024, 7% of our total research budget was allocated to dedicated ESG research from providers such as ISS Governance, MSCI ESG Research and Diligent.

To support our stewardship efforts, we:

- Expect our general research providers to integrate ESG insights into their outputs.
- Use Institutional Shareholder Services (ISS) to implement our voting policy.
- Participate in collaborative investor initiatives such as the International Corporate Governance Network and the Institutional Investor Group on Climate Change (IIGCC) (see **Principles 4** and **10** for further detail on our partnerships).
- Conduct regular service reviews to ensure the quality and relevance of our ESG research providers (see **Principle 8** for more on this process).

Our stewardship specialists play an active role in training and education across the firm:

- They deliver presentations at twice-weekly morning meetings and host dedicated internal stewardship training sessions for investment and client-facing staff.
- They regularly circulate educational materials and updates to improve awareness of ESG themes.

We also encourage professional development in ESG and stewardship, supporting the investment team in obtaining the CFA Certificate in ESG Investing. To date, four analysts have completed a formal ESG or climate and investing course, with many completing ESG modules as part of the Chartered Financial Analyst course.

The investment team's incentives are based on five-year performance relative to tailored benchmarks, the achievement of priority objectives set with line managers and alignment with our core values (see **Principle 1**). Performance in ESG integration and engagement activities is a key factor – individuals who do not meet these expectations may see an impact on their awards and career progression.

The stewardship team is assessed against annual engagement and policy objectives, ensuring accountability for delivering meaningful outcomes. Ultimately, we focus on results rather than process, measuring success by value added to risk-adjusted client returns, tangible improvements in company behaviour and influencing policy debates in line with our stewardship priorities.

## DIVERSITY AND INCLUSION (D&I)

D&I is a key focus of our organisation and is embedded in our core values (see **Principle 1**).

We are committed to promoting diversity and equal opportunities across our workforce and governance structures. We recognise the importance of measuring, monitoring and managing our efforts in this area to foster a strong, inclusive and positive workplace culture.

Our D&I Committee, comprising colleagues from across the organisation, provides oversight and direction for our initiatives. The committee's mission statement and operating framework focus on key areas such as training, education and communication. It also conducts a comprehensive employee survey to track progress on inclusion-related topics.

In 2024, we continued to support two successful initiatives:

- A Sarasin-led Work Experience Programme, run in partnership with a charity supporting disadvantaged students from across the UK. This initiative helps young people realise their potential by providing entry opportunities into the industry.
- The Diversity Project Pathway Programme, a career development initiative designed to support and advance female investment professionals.

Additionally, NexCo, a body that provides younger employees with a direct voice in senior management discussions, continued its work and expanded into new projects.

As of 31 December 2024:

- 29% of our asset management staff were female.
- 75% of stewardship specialists were female.

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** | | **DIVERSITY** | |
| | 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. | |
| **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 long been a priority for us.

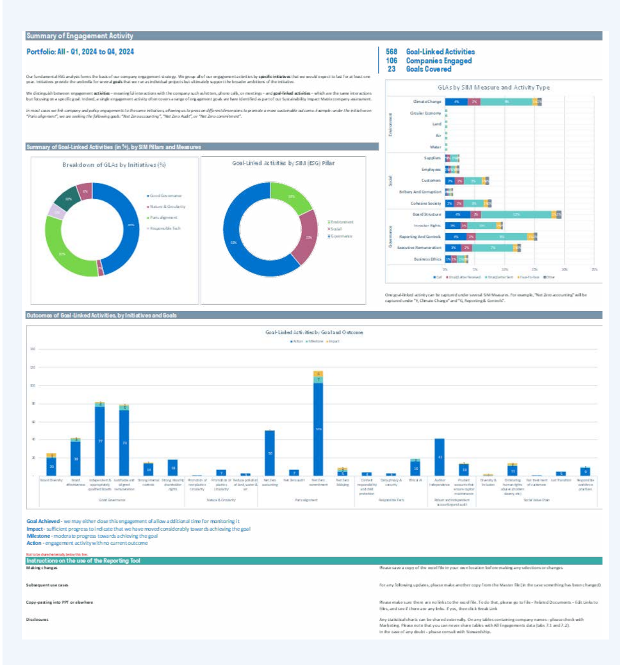
In 2023, we completed the roll-out of our internal engagement tracker and our engagement reporting tool, which allows us to track and analyse the scope and effectiveness of our engagement activities in relation to our priority initiatives and goals. This enhances internal communication on engagement statuses within the asset management team and enables detailed client reporting.

Illustrations of aggregate engagement statistics for the firm, along with activity breakdowns for specific strategies and funds, are shown below. In addition, we provide company-specific and market outreach case studies to clients each quarter, offering a comprehensive view of our engagement work. This approach demonstrates the breadth of our coverage and mitigates concerns about selective reporting.

In 2024, we launched a project to enhance the usability and efficiency of our engagement tracker, allowing us to derive deeper insights and allocate more time to meaningful company interactions.

### EXAMPLE SCREENS OF OUR ENGAGEMENT REPORTING TOOL

Illustrations of aggregate engagement statistics for the firm, along with activity breakdowns for specific strategies and funds, are shown below. The actual charts are in **Principle 9**.



Data generated from our engagement reporting tool is incorporated throughout this report, particularly in **Principles 5, 9** and **10**.

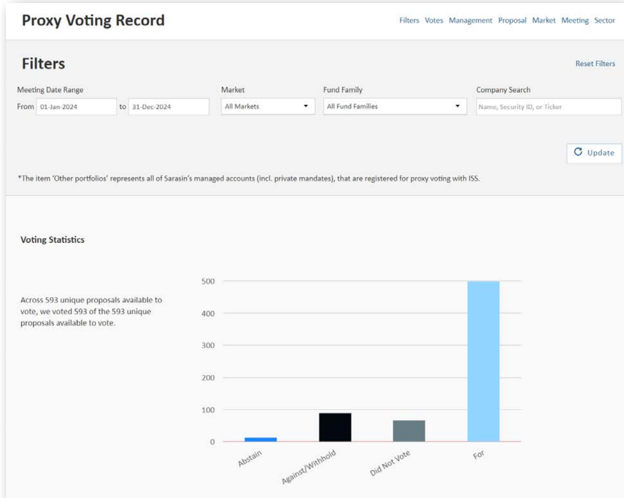
Our stewardship team, in collaboration with the Client Affairs and Marketing teams, produces engagement reports for clients to ensure they receive relevant and timely updates on our activities.

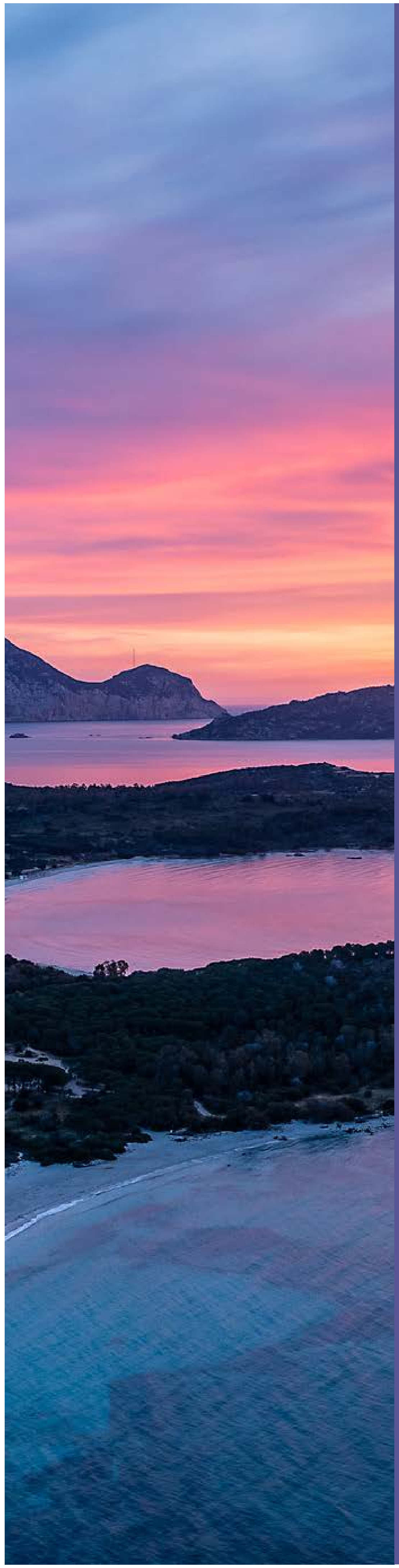
We also continued to enhance our voting reporting. In addition to the quarterly voting records published on our website (including detailed voting rationales) we have launched a proxy voting dashboard. This web-based tool gives real-time disclosure of all our voting activities across various time periods, organised by funds and entity level, as shown in the example provided.

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

Beyond client reporting, we share significant updates on our website and social media channels. These include pre-declared votes ahead of a company's annual general meeting (AGM) and position papers on key topics where we seek to generate broader public support (see **Principles 4**, **11** and **12** for more details on our market-wide outreach).

This annual Stewardship Report is designed to offer our clients and other interested stakeholders a comprehensive overview of our stewardship approach, activities and achievements.





# PRINCIPLE 3

# CONFLICTS OF INTEREST

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

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

Our approach to managing conflicts is based on our Conflicts of interest summary, which we review annually, usually in February. Conflict-mitigating measures include:

- A Conflicts Management Group (CMG) responsible for assessing actual and potential conflicts and ensuring a fair, non-discriminatory and consistent conflict management process.[1]
- Periodic employee conflict attestation and training to reinforce awareness and compliance.
- Formalised Corporate governance and voting guidelines to ensure a consistent approach to voting across investee companies on behalf of clients who have delegated voting to us.
- Ethical walls, which are internal barriers between client and investment teams to prevent undue influence.
- A dedicated Stewardship team to ensure consistent application of stewardship policies, acting as a control on potential conflicts of interest within client or investment teams.

To ensure conflicts of interest are properly handled, we follow a structured process that includes:

- **Conflict identification.** We remain alert to potential conflicts at all stages of our investment process, including security selection, voting analysis, engagements and policy outreach. This awareness is reinforced by annual mandatory training for staff on our Conflicts of interest policy.
- **Initial assessment and escalation.** If a potential conflict is identified, the relevant individual must report it to the CMG immediately, providing an initial assessment of the conflict and any proposed mitigating measures.
- **Formal assessment and logging.** The CMG, which includes representatives from across the business, independently reviews the potential conflict and evaluates the proposed mitigations. If the proposed actions are deemed insufficient, the CMG will recommend further steps to ensure the conflict is properly managed. Once confirmed, the conflict and agreed mitigations are recorded in the conflict register, which the CMG reviews periodically. Minutes of the CMG meetings are shared with the Executive Committee.

[1] The Conflicts Management Group includes heads of legal, compliance and risk functions, as well as representatives from business areas that may be affected by potential business-related conflicts.

In the year under review, our staff members reported 35 potential conflicts to the CMG. Most cases involved staff members undertaking external interests outside their roles at Sarasin & Partners. The CMG assessed all cases and determined that none posed a material conflict. These have been recorded in the conflicts register. No stewardship-related conflicts were reported to the CMG in 2024.

### POTENTIAL CONFLICTS THAT ARISE IN OUR INVESTMENT AND STEWARDSHIP ACTIVITIES

| CONFLICT | EXAMPLE | HOW WE MANAGE THE CONFLICT |
|---|---|---|
| Individuals on the board of a company we engage with or vote on may have a commercial relationship with Sarasin & Partners.<br><br>As our voting and engagement activities require judgement (and in certain circumstances we may override our Corporate governance and voting guidelines), there is a risk that conflicts of interest could influence these decisions. | Where a client (such as a charity trustee) serves on the board of a company we hold, and we intend to vote against their directorship due to governance concerns (such as inadequate board independence), we may face pressure to reconsider this decision. | The primary mitigation tool is awareness of such conflicts, reinforced by our compliance team and ongoing education on rules of conduct. When this conflict arises, it will be escalated to the CMG for review. |
| In a merger and acquisition (M&A) scenario involving companies in our portfolios, we may hold the shares of the acquirer and the target in different funds. | In this situation, if we believe the potential acquisition may 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 (or its clients) over another. | In M&A situations, we will always cast our votes in the best interests of the respective client mandates. If a conflict arises, we will escalate it to the CMG with a mitigation proposal based on the 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 a client has delegated voting rights to us as their discretionary manager, we can vote on routine governance and administrative matters related to Sarasin funds and those of our parent. The most apparent conflict arises in situations where voting involves decisions on fund fees. | This embedded conflict is already recorded with the CMG. We manage it by restricting our vote and, where we have voting responsibility, seeking instructions from our clients on matters with a financial impact, such as fund fee increases. |
| We manage both fixed income and equity funds, and in certain circumstances the interests of shareholders may conflict with those of the bondholders. | A common example of conflict between shareholders and bondholders in the same company arises when an executive team proposes large-scale share buybacks or dividend payments, potentially weakening the company's resilience to external shocks. Where shareholders may support the cash distribution, it could increase credit risk for bondholders.<br><br>Conversely, if a company issues a bond with bondholder-friendly covenants (such as dividend lock-ups, change of control puts or coupon step-ups), these measures may disadvantage shareholders. | If this conflict arises, we will escalate it to the CMG with a mitigation proposal that ensures a fair balance of interests. |





### POTENTIAL CONFLICTS THAT ARISE IN OUR INVESTMENT AND STEWARDSHIP ACTIVITIES (CONTINUED)

| CONFLICT | EXAMPLE | HOW WE MANAGE THE CONFLICT |
|---|---|---|
| We manage ESG and stewardship-tilted strategies where investment decisions are influenced by our Sustainability Impact Matrix (SIM) ratings or other stewardship assessments. In certain circumstances, portfolio managers may seek to influence the SIM or stewardship assessment process to affect their ability to hold or exclude specific securities. | Our Tomorrow's World strategy cannot hold securities deemed to cause a significant adverse impact on any environmental or social factors assessed through the SIM framework, which limits its investible universe. As a result, analysts may face pressure to adjust SIM ratings to allow for investment. | If proposed changes to SIM ratings could affect the investible universe for impacted strategies, the stewardship team will provide an independent assessment. Where necessary, we will escalate the matter to the CMG. |
| Our staff or clients may have personal relationships with the companies we engage with or vote on. Since our voting and engagement activities require judgement (and in certain circumstances may override our Corporate governance and voting guidelines), there is a risk that conflicts of interest could influence these decisions. | A fund manager may have an external relationship, such as a shared trusteeship of a charity, with board directors or executives of a company we hold. | If this conflict arises, we will escalate it to the CMG. Mitigation measures may include assigning another team member to lead the engagement or voting process to ensure independent judgement. |
| Our clients and staff may attempt to influence our policy work, potentially compromising our independence in deciding which initiatives to prioritise. | We may be asked to refrain from policy outreach on audit or accounting matters if trustees of clients who work for audit firms object. | If any influence is exerted, we will escalate the conflict to the CMG. |
| Our engagement, voting or policy work may conflict with the interests of our parent group, J. Safra Sarasin Group, if it seeks to influence our process. | We may be asked to modify our vote for a director with close ties to our parent company or refrain from policy work that could affect our parent company. | If this conflict arises, we will escalate it to the CMG to ensure independence of judgement. |

# PRINCIPLE 4
# PROMOTING WELL-FUNCTIONING MARKETS

**Policy and market outreach is a core pillar of our stewardship approach. We believe it is essential to engage on broader policy failures or harmful market behaviours where these affect our clients' interests.**

Where we identify market practices or policies that cause material harm to the environment or specific stakeholder groups, and where we believe we can drive positive change, we speak out. We do not seek to benefit from unsustainable activities that result in societal harm, as we view this as short-termist and ultimately self-defeating.

At the same time, we support government policies and market practices that promote corporate accountability for negative externalities. Climate change is a key example. Through our investment process, we:

- Conduct detailed climate risk and opportunity analysis to protect clients' assets from expected transition and physical impacts.
- Seek evidence of meaningful efforts to drive decarbonisation.
- Identify investments that are positively exposed to climate solutions.

However, simply insulating client portfolios from climate risks does not address the crisis itself. Given the scale of the threat, this is unlikely to be effective in the long run. System-wide solutions are needed to protect assets from the damaging effects of climate change.

This is where our policy outreach plays a role. We focus on broader market dysfunctionality and seek to accelerate action on climate change and other topics. To maximise impact, we collaborate with others and engage directly with policymakers.

As noted, insights gained through our policy outreach inform and strengthen both our company engagement and investment analysis.

## POLICY OUTREACH REQUIRES PRIORITISATION, TENACITY AND RESOURCING

We believe corporate behaviours that cause harm to society will ultimately damage our clients' interests. A core part of our job is to help prevent this wherever possible. It often requires policy outreach efforts, coordinated with other market participants. Since we cannot act on every issue, we focus on those that are most damaging and urgent, and areas where we have a realistic chance of driving change.

Policy outreach can take years to deliver results. To be effective, we need to remain tenacious and focused on outcomes. This means being prepared to escalate issues, even when it is uncomfortable.

At the same time, we must recognise when to step back. If our resources and attention would be better spent elsewhere, we pause our outreach activities – whether due to limited opportunities to influence public debate or competing priorities. However, we continue monitoring progress and re-engage when the opportunity arises.

Effective policy outreach requires:

- Deep expertise and sound judgement.
- A diverse range of skill sets.
- Strong analytical capabilities.
- Persuasion and negotiation expertise.
- An understanding of what drives system change – and the willingness to act.

## OUR PRIORITIES

In 2024, our key policy outreach priorities were:

1. **Net zero policy support** – promoting policies and market practices that will support a shift in capital deployment to align with decarbonisation.
2. **Paris-aligned accounting and audit** – ensuring it supports the achievement of limiting global warming to 1.5°C.
3. **Accounting and audit reform** – promoting reliable accounts and robust and transparent audits that underpin corporate accountability.
4. **Labour and human rights** – improving across the value chain to enhance productivity and support sustainable growth.
5. **A responsible approach to technology** – addressing harmful social consequences, including the unethical use of AI, misinformation and anti-competitive behaviour.
6. **Active voting by investors** – promoting peers to use their votes on routine AGM resolutions relating to director and auditor appointment, as well as financial statement approval, to underpin shareholder accountability and effective capital markets.

We determine our priorities based on three key criteria:

- **Materiality.** We focus on issues that have the greatest impact on protecting and enhancing capital, recognising that harmful externalities imposed on society and the environment ultimately threaten financial performance.
- **Potential for impact.** We concentrate on areas where we can drive demonstrable change, leveraging our expertise, insight and a clear vision for necessary reforms.
- **Client preference.** We engage with clients regularly through meetings, conferences and other communications to understand their areas of interest and concern.

In 2024, we had more than **60** market and policy outreach activities on our priority initiatives, with **15%** of those being milestones and impacts.

## WORKING WITH OTHERS TO DRIVE SUSTAINABILITY

### A SELECTION OF EXTERNAL INITIATIVES WE LEAD AND SUPPORT

**Environmental**

Institutional Investors Group on Climate Change (IIGCC).

Paris-aligned accounting and audit – we co-chair this initiative in coordination with the IIGCC.

Net Zero Banking Standard – we co-chair this in coordination with 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.

GREEN Global Real Estate Engagement Network.

**Social**

Investor Alliance on Human Rights (IAHR).

Find It, Fix It, Prevent It – Modern Slavery Initiative.

Farm Animal Investment Risk and Return (FAIRR) – we engage on working conditions.

World Benchmarking Alliance's (WBA) Collective Impact Coalition (CIC) on Ethical Artificial Intelligence.

Global Network Initiative – we are members of the Case Studies Working Group and the Assessment Review Task Force.

**Governance**

International Corporate Governance Network.

UK Corporate Reporting and Auditing Group.

Stakeholder Advisory Council for:

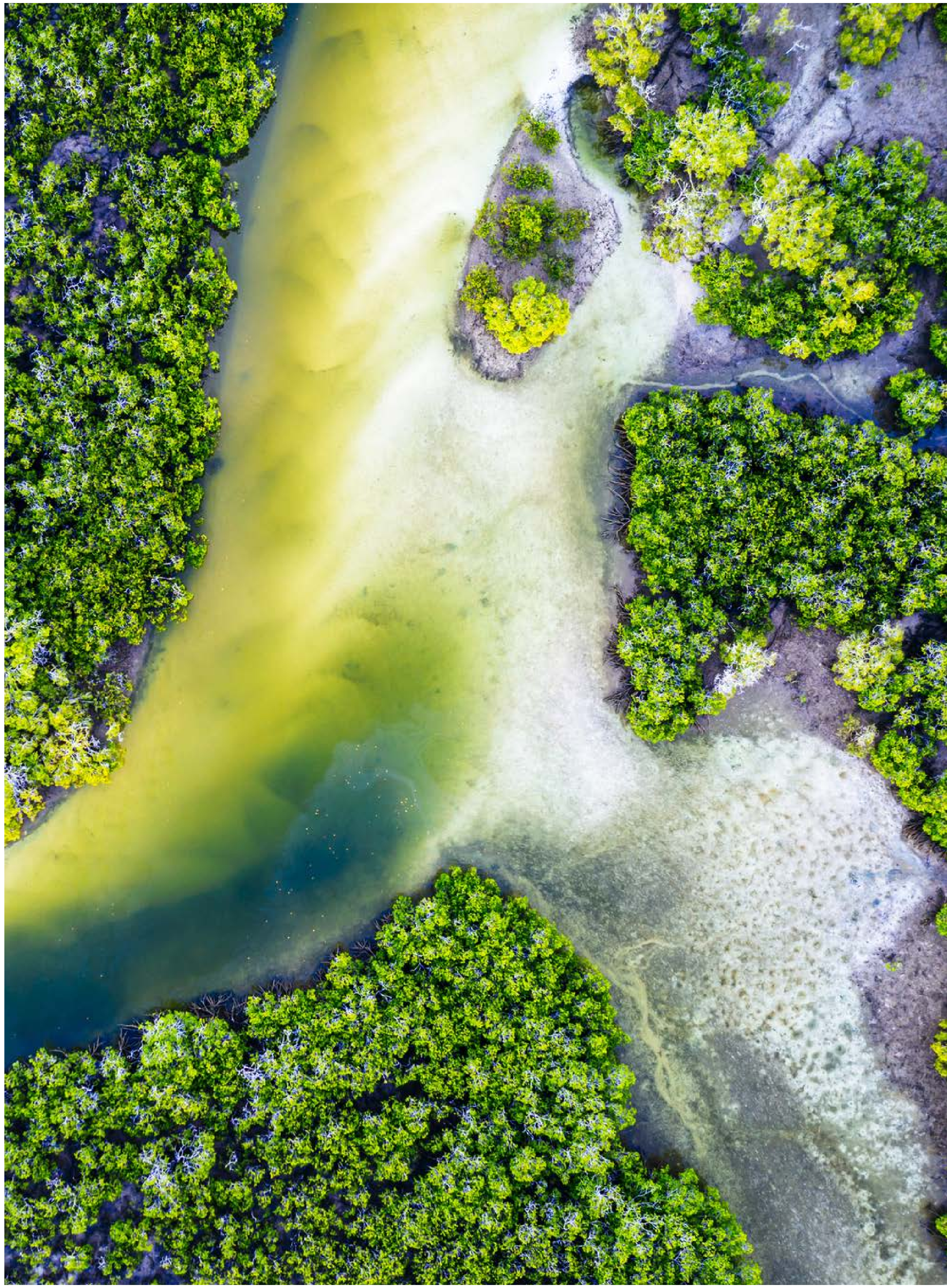
International Audit and Assurance Standards Board (IAASB).

International Audit Ethics Standards Board (IAESB).

*More details on our current priorities and collective policy initiatives can be found on the following pages.*



PROMOTING WELL-FUNCTIONING MARKETS PRINCIPLE 4



## PRUDENT AND RELIABLE ACCOUNTING

## CASE STUDY: DISCLOSURE OF CRITICAL ACCOUNTING ASSUMPTIONS

### THE ISSUE

Reliable accounting is essential for efficient markets. When financial statements mislead, the consequences extend beyond investors deploying capital inefficiently – it can also negatively impact staff, suppliers, customers and the public, all of whom depend on a healthy corporate sector.

Overstating capital strength or performance can:

- Attract excessive capital, diverting funds from alternative ventures.
- Reduce available cash flows for productive investments.
- Undermine economic resilience and long-term growth.

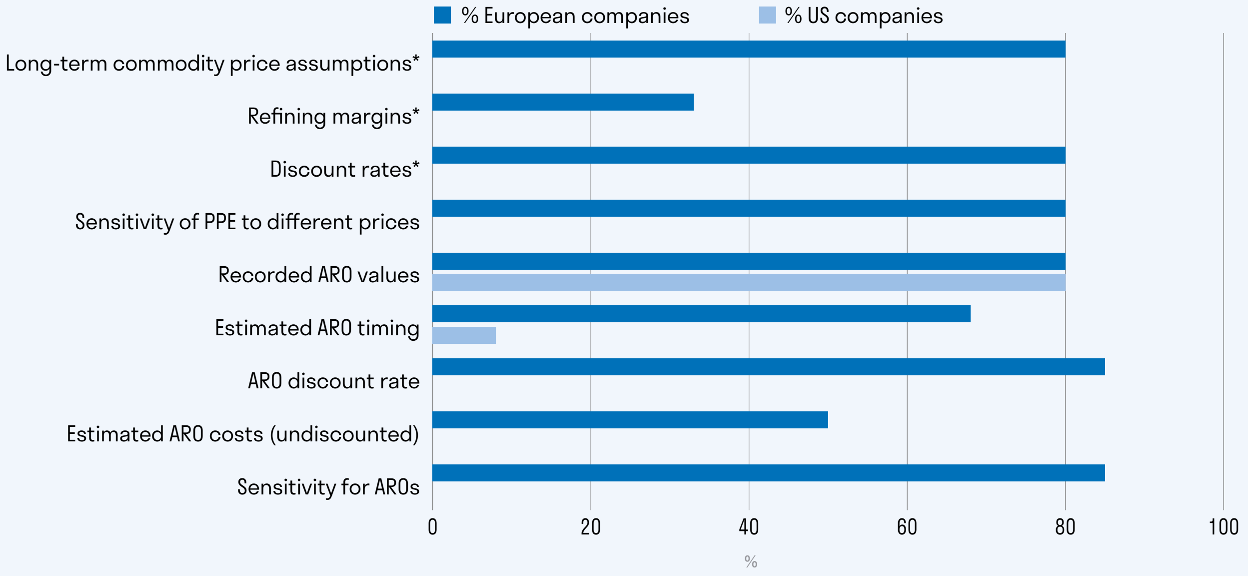
Confidence in financial reporting relies on objectivity and transparency. Investors and stakeholders must understand the critical accounting assumptions underpinning financial statements. Without this, it becomes difficult to compare financial statements across companies and assess whether similar accounting assumptions have been applied.

In 2018, Sarasin published a paper highlighting concerns that oil and gas companies were failing to disclose key forward-looking assumptions, such as long-term oil and gas prices used in impairment testing. Since then, we have led a global investor initiative to promote more transparent and reliable accounting, engaging intensively with listed energy companies, auditors and regulators. (For more details, see our work under **Principle 4** last year).

Over the past six years, we have seen a significant shift in disclosures among European oil and gas companies. However, in the US, investors still lack visibility into critical forward-looking assumptions underpinning balance sheets. Key areas of concern include the disclosure of long-term commodity prices, refining margins, discount rates and associated sensitivities (see figure 4.1).

**Figure 4.1: Disclosure of accounting assumptions in energy company filings**

Percentage of US and European energy companies providing quantitative assumptions/estimates in 2023 annual filings**




Source: Carbon Tracker analysis, August 2024. ARO stands for Asset Retirement Obligation.

* For impairment testing, where relevant (e.g. commodity price assumptions for upstream activities and refining margin estimates for downstream activities).

**Analysis conducted by Carbon Tracker's Accounting, Audit and Disclosure team based on a review of 2023 financial year annual filings, covers seven US energy companies (Occidental Petroleum, Exxon Mobil, Chevron, ConocoPhillips, Marathon Petroleum, Phillips 66 and Valero Energy) and six European energy companies (bp, Shell, Eni, Repsol, TotalEnergies and Equinor). Disclosure of assumptions and estimates is scored as follows: 1 for full disclosure, 0.5 for partial disclosure and 0 for no disclosure, with scores removed where not applicable – such as refining margin estimates for companies without refining activities. The analysis focuses only on assumptions and estimates related to recorded AROs, not unrecorded AROs which arise when issuers assume indeterminate lives. While we have concerns about the transparency of such unrecognised AROs, they are not included in this review.





### THE GOAL

To drive improved accounting disclosures in US-listed energy companies at a time of rising uncertainty over the industry's outlook, due to accelerating climate change and global efforts to promote decarbonisation.

As climate change becomes increasingly politicised, there is a risk that the economic consequences of decarbonisation – whether from shifting technologies, government policies or consumer preferences – will be obscured. Ensuring that accountants, auditors and regulators maintain their core role in delivering reliable financial reporting is essential for long-term economic resilience.

### WHAT WE DID

In October 2024, Sarasin coordinated a letter to the US Securities and Exchange Commission (SEC), urging a review of whether the lack of disclosure of critical forward-looking assumptions and associated sensitivities by US-listed energy companies is consistent with the rules. The letter, supported by 39 global investors representing $3.75 trillion in assets, was also sent to the Financial Accounting Standards Board (FASB) and the Public Company Accounting Oversight Board (PCAOB).

To amplify our message, we made the letter public, securing coverage in the Financial Times and drawing global attention to investor concerns. This initiative built on an earlier opinion piece published in Reuters, where we called on investors to hold auditors and audit committees accountable for delivering high-quality financial reporting.

### OUTCOMES AND NEXT STEPS

While the SEC letter gained widespread media coverage, it is still too early to determine its impact. Following the US Presidential election, it remains uncertain whether accounting disclosure reform will stay an SEC priority. However, investor interest remains strong, and there is growing momentum to consider voting against auditors and audit committees that fail to meet disclosure expectations. We hope to continue to seek enhanced disclosures with companies and auditors directly, as well as through outreach to global standard setters.

## CASE STUDIES IN A NUTSHELL

In the 2023 stewardship report we provided detailed overviews of our policy outreach on three core topics: net zero accounting and audit, net zero voting and net zero banking. These remain key priorities and we provide brief updates on them below.

### NET ZERO ACCOUNTING AND AUDIT

#### WHAT WE DID

In 2024, we continued our efforts to promote climate-conscious financial statements. As co-chair of the accounting and audit workstream at IIGCC, we supported global investor engagements with carbon-intensive companies in Europe, while expanding our focus to include bank accounting (see below). In the US, Sarasin contributed to a parallel initiative coordinated by Ceres.

#### OUTCOME

A key outcome of this work was the International Accounting Standards Board's (IASB) proposed illustrative examples on incorporating climate factors into financial reporting. If approved, these examples would sit alongside existing International Financial Reporting Standards (IFRS) and help ensure more reliable accounting for material climate risks. We published our response to the IASB's consultation on the website.

https://sarasinandpartners.com/stewardship-post/submission-to-the-iasb-on-strengthening-climate-transparency-in-financial-reporting/


### NET ZERO VOTING

#### THE ISSUE AND THE GOAL

Sarasin's commitment to voting in support of high-quality governance remains central to our stewardship work. As highlighted in **Principle 12**, we continue to vote against directors, auditors and financial statements more frequently than our peers – not because we set unreasonable expectations, but because we take seriously our role in holding boards accountable.

In 2024, we outlined our approach to integrating climate considerations into routine voting, an area where we have sought to provide leadership and encourage broader investor action. Our analysis of the data provided by Diligent showed that for seven oil and gas companies[1] not aligned with a 1.5°C pathway according to the CA100+ benchmark:

- 96.5% of shareholders still supported director reappointment
- 97.7% of shareholders reappointed auditors, even where financial reporting of climate risk was inadequate.

Until shareholders actively hold businesses and their auditors accountable for managing climate risks, meaningful change will remain elusive.

[1]Exxon, ConocoPhillips, Occidental, Chevron, bp, Shell and TotalEnergies

**Figure 4.2: Percentage of shareholders' votes in favour of director elections**

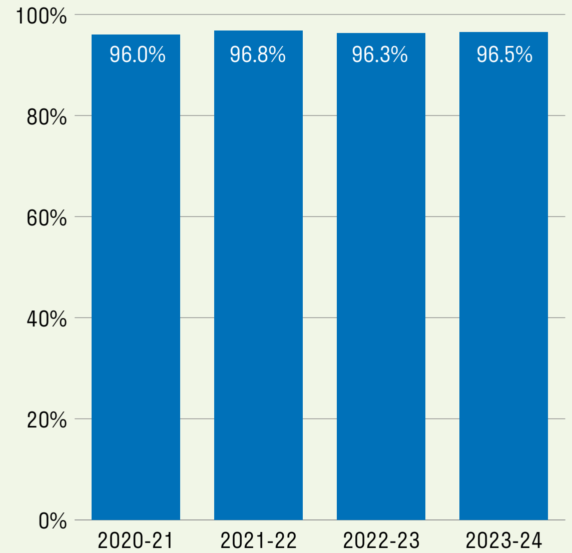
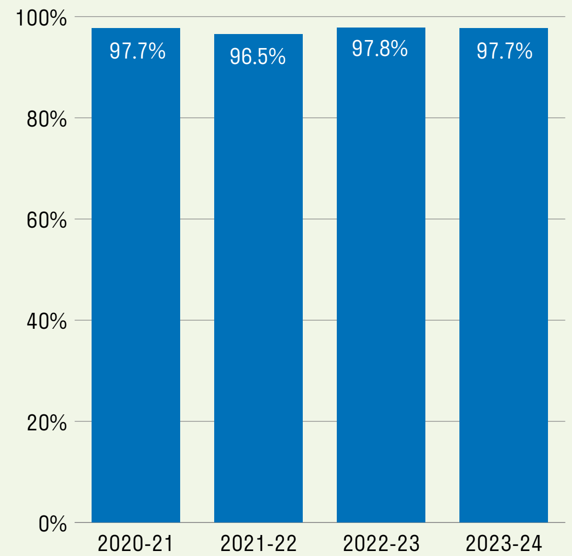



**Figure 4.3: Percentage of shareholders' votes in favour of auditors**




Source: Diligent Insightia, 31 December 2024

#### WHAT WE DID

In 2024, we continued to highlight this market failure by supporting the IIGCC workstream on proxy advisers, engaging directly with ISS and collaborating with ShareAction and PIRC to develop a more credible net zero voting policy. We also engaged with BlackRock, where we have been a shareholder (see case study in **Principle 12**).

#### OUTCOME

While the anti-ESG pushback in the US has created a more challenging environment for investors raising climate concerns, there have been important developments. Intermediaries have taken steps to enable investors to adopt a more proactive voting approach. As outlined in **Principle 12**, Blackrock's efforts to return voting authority represents meaningful progress.

During the 2024 proxy season:

- PIRC published pilot net zero-aligned voting recommendations.
- ISS announced the introduction of new net zero voting options, allowing clients to link climate performance to the reappointment of directors, auditors and approval of the financial statements.

### NET ZERO BANKING

#### WHAT WE DID

In 2024, we continued in our role as co-chair of the Net Zero Bank Engagement Initiative, coordinated by IIGCC. Assessments by the Transition Pathway Initiative (TPI) showed progress as engagements with banks across major markets advanced. However, the banking system remains far from consistently tracking transition and physical risks in balance sheets or redirecting financial flows from climate harm towards climate solutions. Our case studies on HSBC and ING (see **Principle 10**) illustrate the progress made with these two banks.

To maintain focus on this critical issue, we:

- Coordinated a collective investor letter to the Bank of England.
- Helped mobilise an investor submission to the Basel Committee, supporting a proposal for enhanced climate-related disclosures in banks' Pillar 3 reporting.

#### OUTCOME

We were pleased to see both the Prudential Regulation Authority (PRA) and the European Securities Market Authority (ESMA) publish ongoing expectations for banks to improve disclosure on the financial consequences of climate change.





## CASE STUDY: ENGAGEMENT WITH UK NATIONAL ENERGY SYSTEMS OPERATOR

#### THE ISSUE

Delivering power reliably and safely to millions of UK householders and businesses is a complex challenge. Power must be generated, transmitted and distributed, with the National Energy System Operator (NESO) ensuring real-time balance between supply and demand. The challenge is further heightened by the need to decarbonise the power system within five years while keeping household bills under control.

A key prerequisite for decarbonisation is battery storage, which allows excess renewable energy to be stored and released as needed. As renewable energy sources expand, managing intermittent supply becomes increasingly critical. According to NESO's Advice on achieving clean power for Great Britain by 2030 action plan, achieving net zero power by 2030 requires battery storage capacity to increase four- or five-fold.

This is the backdrop to Sarasin's investment in Gresham House Energy Storage Fund plc (GRID) (see case study in **Principle 9**). However, batteries remain underutilised due to legacy grid control systems. Recent data from LCP reveals that batteries were skipped – passed over in favour of more expensive natural gas – 93% of the time in 2023 and 83% in the first half of 2024 (January to July).

The consequences include:

- Wasted cheap renewable and battery power, increasing costs for customer and reducing energy security.
- Deteriorating returns for renewables and battery storage, weakening incentives for further investment.
- Increased risk to net zero goals, as continued reliance on fossil fuels slows the energy transition.

#### THE GOAL

Sarasin has directly experienced the impact of NESO's failure to address battery skipping through its investment in GRID. However, this issue extends beyond our own investment – it threatens the UK's net zero ambitions, long-term economic growth and climate resilience.

To address this, we launched a direct outreach effort to NESO in late 2024, urging action on regulatory inertia tied to outdated computer systems and control room procedures. Our key expectations include:

- **Accelerating the transition to the Open Balancing Platform (OBP)** to reduce skip rates sooner than the current 2027 target.
- **Fast-tracking State of Energy upgrades,** enabling NESO to monitor battery charge levels and remove the 30-minute rule that restricts full battery usage.
- **Expanding battery participation in reserving mechanisms,** which are currently dominated by gas, despite being less cost-effective.

- **Enhanced transparency,** ensuring full visibility of how batteries are dispatched relative to other technologies.

### WHAT WE DID

Following detailed analysis and engagement with GRID, the UK's leading battery operator, we coordinated an investor letter to the chairs of NESO and Mission Control[2], urging urgent action on these issues. The letter, signed by seven other institutional investors with battery storage investments in the UK, was also published on Sarasin's website.

[2]Mission Control is a specialised task force within the Department for Energy Security and Net Zero, established to expedite the UK's transition to a clean energy system by 2030.

### OUTCOMES

NESO provided a constructive response in December 2024, outlining a roadmap to reduce battery skipping, which included several concrete actions aligned with our recommendations:

- Extending the OBP – several key milestones set for 2025.
- State of Energy upgrades – NESO committed to working with industry to accelerate the implementation of GC166, improving visibility of battery energy levels and enabling the removal of the 30-minute rule.
- Reserving mechanisms – introduction of a Quick Reserve service, a new ancillary service providing reserve power and creating an additional revenue stream for battery storage. Operational from 3 December 2024.
- Transparency measures – NESO has published a skip rate dataset and released its balancing platform dispatch algorithm; introduced new transparency tools in December for ongoing reporting; and expanded industry roundtables to maintain dialogue on progress.

### NEXT STEPS

While the direction of travel is positive, we will continue to engage with NESO to maintain momentum. We will be visiting the control room in early 2025 and are seeking a face-to-face discussion with NESO's chief operating officer.

## RESPONSIBLE TECH

Societal concerns around the role of technology are widely recognised by academics, civil society organisations and regulators. We seek to hold companies accountable while also contributing, where relevant, to joint investor agenda, public policy and industry standards.

Technology now impacts companies across all sectors, not just those traditionally classified as tech firms. As these companies grow in market significance, our investment exposure to them increases, giving us both a reason and a responsibility to advocate for responsible behaviour.

We believe investor engagement is critical in promoting responsible practices among companies building or deploying AI technology, given their expanding influence on consumers' lives.

## CASE STUDY: PROMOTING ETHICAL AI

### THE ISSUE

AI technologies are expanding rapidly, with massive investments, growing capacity and increasing adoption rates making AI a core part of the tech ecosystem. Under our responsible tech priority, ethical AI is a critical focus, as we remain concerned about whether this transformation is occurring safely and with proper regard for human rights.

We have identified several AI-related risks, including:

- Hallucinations – the generation of misleading or out-of-context content.
- Disinformation – deliberate misrepresentation of facts.
- Biases – systemic inaccuracies that reinforce discrimination.
- Violations of property rights and user privacy – including the misuse of personal data.
- Cybercrime proliferation – increased risks stemming from AI-enabled hacking or fraud.

Impact assessments for these technologies remain underdeveloped, procedural guidelines lack clarity and governance structures are often ambiguous.

While the scope of government regulation remains a key area of debate, therefore, corporate self-regulation will be essential in managing AI risks. Investors play a critical role in holding companies and their boards accountable for potential misconduct.

In September 2024, the UN Global Digital Compact (GDC) – the first global framework establishing international norms for a safe and inclusive digital environment – was adopted at the Summit of the Future. Among its objectives, the Compact sets out principles to mitigate the risks associated with AI technologies, alongside commitments to digital inclusion and privacy.

### THE GOAL

Our objective is to help establish a global governance and accountability framework for AI to ensure its responsible development and deployment. As more companies commit to ethical AI principles, our priority is ensuring these principles translate into meaningful implementation.

We encourage companies to adopt business model-specific guardrails and assess their effectiveness in mitigating key risks. We believe these measures should include human rights impact assessments (HRIAs), as recommended by leading civil rights organisations.

### WHAT WE DID

As members of the World Benchmarking Alliance (WBA) Collective Impact Coalition (CIC) on Ethical AI, we played an active role in corporate engagement on AI ethics. In Phase 2 of these engagements, which launched in Q2 2024, we took on lead engager roles with two additional companies, encouraging them to publicly report on their ethical AI commitments. (See case studies on Alphabet and ServiceNow in **Principle 10**).

We shared progress updates with other WBA investor members, contributing to the second public Ethical AI CIC Progress Report, expected in mid-2025.

In February 2025, investor expectations around ethical AI were reinforced through the updated WBA Investor Statement on Ethical AI, signed by 48 investors representing $8.5 trillion in assets under management. These expectations extended beyond adopting and publishing ethical AI principles to requiring disclosure of the tools used to operationalise them. We contributed to the draft discussions, highlighting the importance of business model-specific implementation tools.

To foster deeper discussions, we developed a proprietary matrix of AI-related risks specific to various business models, along with a list of tools to mitigate these risks. This framework has shaped our corporate engagements. For developers of generative AI models (LLMs) and social media platforms, key risks include misuse for harmful purposes such as manipulation, targeted disinformation (propaganda) and disruption of democratic processes. Recommended mitigation tools include:

- Comprehensive documentation.
- Reliable safety testing before deployment ('red teaming').
- Human oversight.
- Watermarking AI-generated content.
- Analysing outputs for inconsistencies and strategic deception patterns.
- Taking action against malicious actors.
- Reinforcement learning from human feedback (RLHF).

In 2024, we also joined the Global Network Initiative (GNI), a multi-stakeholder organisation focused on promoting the principles of freedom of expression and privacy. Through GNI, investors can participate in company assessments and engage with firms on specific cases. We joined the working group on case studies and volunteered to assess three companies.

### OUTCOMES

Working alongside other WBA Ethical CIC investors, we have seen meaningful progress:

- 71 of the world's 200 largest digital companies have now adopted AI principles, up from 52 in September 2023.
- 53% of these principles now include human rights considerations, marking a crucial step toward responsible AI development.[1]

This progress reflects a growing openness among private sector actors to engage on AI's societal impacts. Investors clearly have leverage to advocate for more sustainable AI practices. However, challenges remain:

- The number of companies publicly disclosing how they implement their AI principles rose from eight in 2023 to 29 in 2024 – a step forward but still a small fraction of the 71 companies with AI principles.
- Human rights due diligence on AI has been disclosed by only 16 companies.
- Many major tech firms remain reluctant to engage with investors, a challenge further compounded by political resistance to sustainability initiatives.

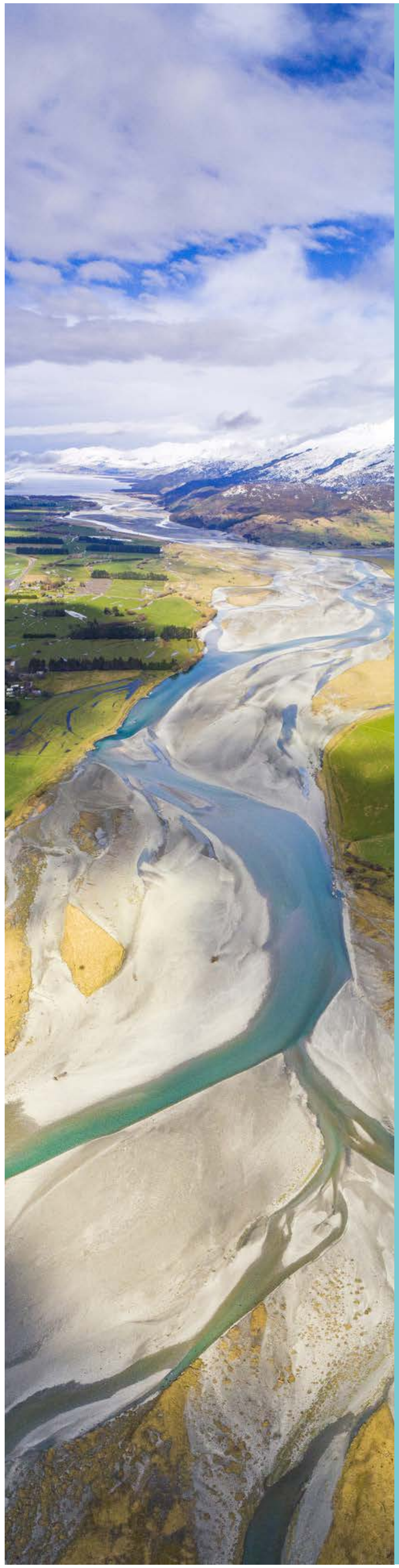
### NEXT STEPS

Looking ahead to 2025, a key challenge remains escalating investor engagements when initial dialogues fail to produce results. In 2025, we will continue to support WBA and GNI to ensure shareholder concerns are heard and to further develop best practice industry standards.

[1] Here and further in this subsection: New data on ethical AI to ring in the Global Digital Compact. Blog by the World Benchmarking Alliance. 20 September 2024.

### LOOKING FORWARD

We continually monitor scientific understanding, regulatory developments, civil society scrutiny and client concerns to ensure our policy outreach efforts remain well-targeted. Across the initiatives outlined above, our next steps are shaped by progress to date and our commitment to the overarching goal. While these may evolve in the coming months, each initiative is expected to be part of a multi-year programme.



# PRINCIPLE 5
# REVIEW AND ASSURANCE

**Ensuring we deliver on our stewardship commitments is essential. Failure to do so not only lets our clients down but also risks the long-term success of our business.**

To provide assurance over the integrity of our stewardship work, this section outlines:

- 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
- Third-party reviews of different aspects of our stewardship work published in 2024

## REVIEWING OUR POLICIES, PROCESSES AND REPORTING

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

In 2024, the SSC fulfilled its routine duties, including:

- Approving our updated stewardship policies.
- Reviewing performance for 2023 and approving 2024 priority initiatives.
- Assessing performance during 2024.
- Approving the 2023 Stewardship Report.

**Our risk department** routinely reviews portfolios across a range of risk measures, including ESG characteristics and adherence to ESG-related restrictions within specific strategies.

**Our internal auditors**, who report directly to our board, periodically review our asset management activities. This independent review is a key part of our control framework, ensuring we maintain rigorous standards and identifying any areas requiring action.

The first internal audit of our ESG and stewardship processes took place in late 2022 and resulted in recommendations to enhance our control framework. In response, we developed additional internal process documents in 2023 to ensure our procedures and controls align with our commitments. As of 31 December 2024, no outstanding recommendations remain.

We also obtain an annual **independent audit** opinion from Deloitte LLP, which provides assurance that our proxy voting activities adhere to the standards set by the Institute of Chartered Accountants in England and Wales under AAF 01/06 guidance.

**Client feedback.** In addition to our publicly available policies, we provide clients with regular ESG and stewardship reports related to their holdings. We actively seek feedback on our performance and areas for improvement, which is reviewed and acted upon where appropriate. Further details are provided under **Principle 6**.

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

We have not yet undertaken 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 OUR EFFECTIVENESS

### ENGAGEMENT OUTCOME TRACKING

We use an internal data management system (our engagement tracker – see **Principle 2**) to record all engagement activities. A key feature of this system is the ability to track engagement outcomes at three levels.

**Milestone**

A moderate step towards achieving the goal, such as management acknowledging our concerns and outlining a plan to address them or taking initial action.

**Impact**

Significant progress, demonstrating that we are meaningfully closer to achieving the goal, such as a public announcement or strategic shift.

**Goal achieved**

The original goal has been met. At this stage, we may either close the engagement or allow additional time for monitoring before concluding.

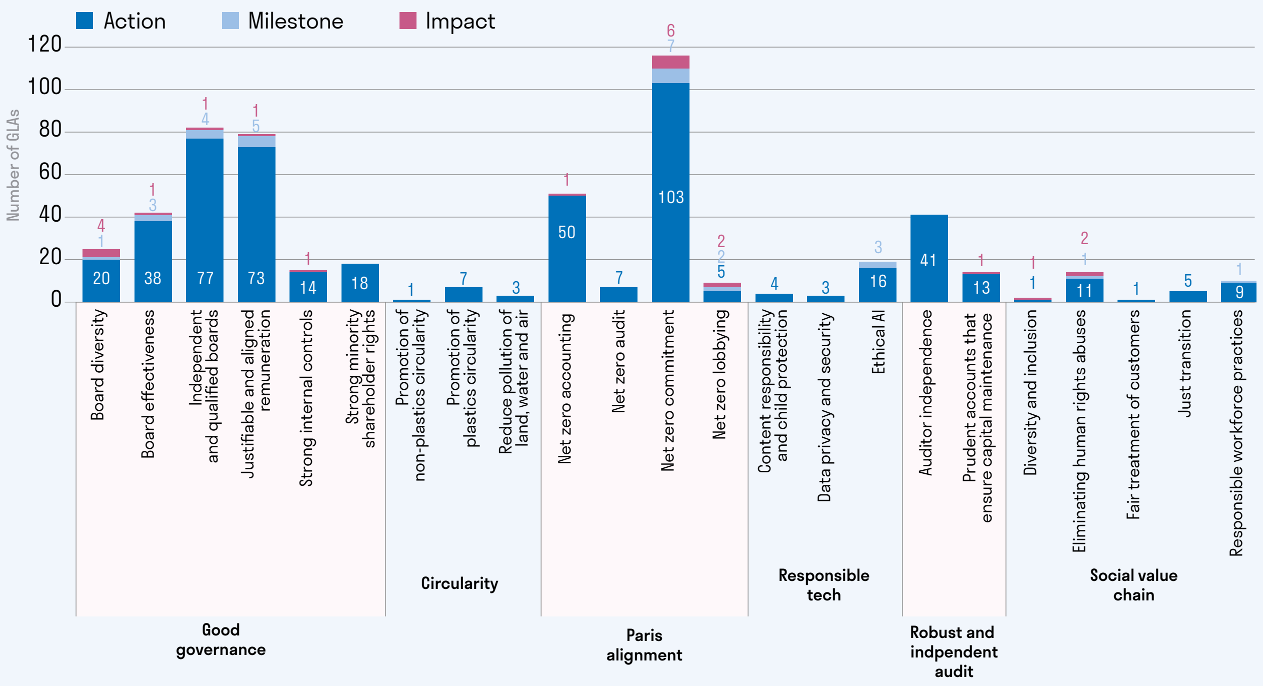
Our engagement tracker enables portfolio and firm-wide client and regulatory reporting, as well as communication on engagement progress and achievements. Additionally, it enhances the effectiveness of our stewardship work by providing a centralised and accessible system to support:

- Voting decisions – ensuring alignment with ongoing engagements.
- ESG assessments – incorporating insights from engagement activities.
- Investment decisions – factoring in relevant engagement progress.

Crucially, the tracker maintains supporting documentation, such as correspondence, to provide evidence of reported progress.

**Figure 5.1: Outcomes of engagement activities (number of GLAs*)**

Goal-linked activities by goal and outcome




Source: Sarasin & Partners.

* Note: a goal-linked activity (GLA) refers to any engagement interaction with a company focused on a single goal. If an interaction covers multiple goals, engagement interaction on each goal is recorded as a separate GLA.

For specific examples of the impacts of our company engagements across equities and fixed income, see **Principles 9-11**. For the impact of our market outreach activities, see **Principle 4**. For recent performance data, please contact our Client Affairs team.

## PERFORMANCE ATTRIBUTION

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

To assess the effectiveness of our ESG integration, we conduct attribution analysis to evaluate how ESG factors contribute to improvements or deterioration in financial performance.

The following sections outline our analysis of equity and fixed income holdings. However, it is important to note the statistical challenges inherent in such assessments, including:

- Limited data availability and the implication of sector-specific impacts.
- Short time horizons, which may not capture long-term trends.
- Distinguishing correlation from causation, a common challenge in financial analysis.

As a result, this analysis should be considered provisional and subject to refinement as data and methodologies evolve.

### EQUITIES

Given the statistical challenges noted above, we use three methods to quantify the value added by our ESG and stewardship work.

#### Performance of A- versus D-rated ESG stocks

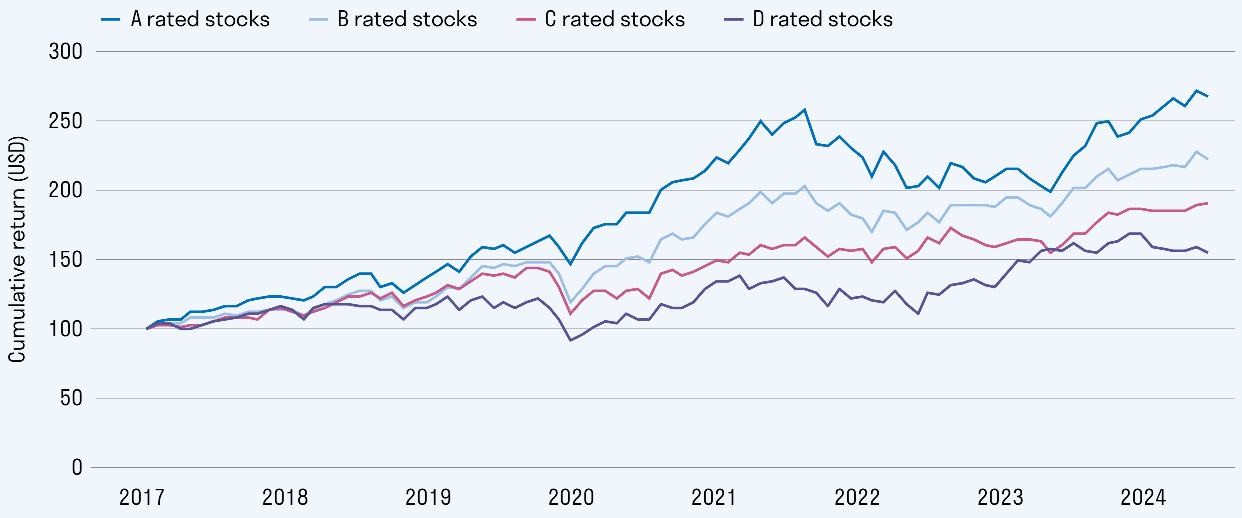
Since 2017, we have conducted ongoing analysis of our internal global and UK equity buy lists, comparing the performance of market-cap weighted portfolios based on Sarasin ESG ratings ( A, B, C and D) at the start of each month.

Our findings show that the A-rated portfolio has significantly outperformed the D-rated portfolio over the assessment period.





**Figure 5.2: Performance of best- and worst-rated ESG stocks**




Source: Bloomberg, Sarasin & Partners, data as of 31 December 2024. **Returns are in USD, gross of all costs.** Each basket is constructed based on historical Sarasin ESG ratings and buy-list membership and does not represent the actual return of any portfolio or fund. Each rating basket is market-cap weighted and rebalanced at month-end. **Past performance is not a reliable indicator of future results and may not be repeated.**

**Figure 5.3: Performance highlights**

| Portfolio | Annual return % | Annual volatility % | Sharpe ratio | Maximum drawdown % | Maximum drawdown recovery (months) | Maximum drawdown date | Beta to MSCI ACWI |
|---|---|---|---|---|---|---|---|
| A-rated stocks | 13.47 | 13.41 | 1.00 | 22.70 | 10 | 2023-10-31 | 1.02 |
| B-rated stocks | 11.15 | 13.64 | 0.82 | 19.99 | 5 | 2020-03-31 | 1.10 |
| C-rated stocks | 9.11 | 13.14 | 0.69 | 22.93 | 12 | 2020-03-31 | 1.00 |
| D-rated stocks | 6.85 | 15.79 | 0.43 | 25.53 | 12 | 2020-03-31 | 0.90 |
| Buy list | 10.30 | 12.82 | 0.80 | 19.42 | 8 | 2020-03-31 | 1.05 |

Source: Bloomberg, Sarasin & Partners, data period of 31.01.2017 – 31.12.2024. **Returns are in USD, gross of all costs.** Each basket is constructed based on historical Sarasin ESG ratings and buy-list membership and does not represent the actual return of any portfolio or fund. Each rating basket is market-cap weighted and rebalanced at month-end. **Past performance is not a reliable indicator of future results and may not be repeated.**

### Value added from ESG rating changes

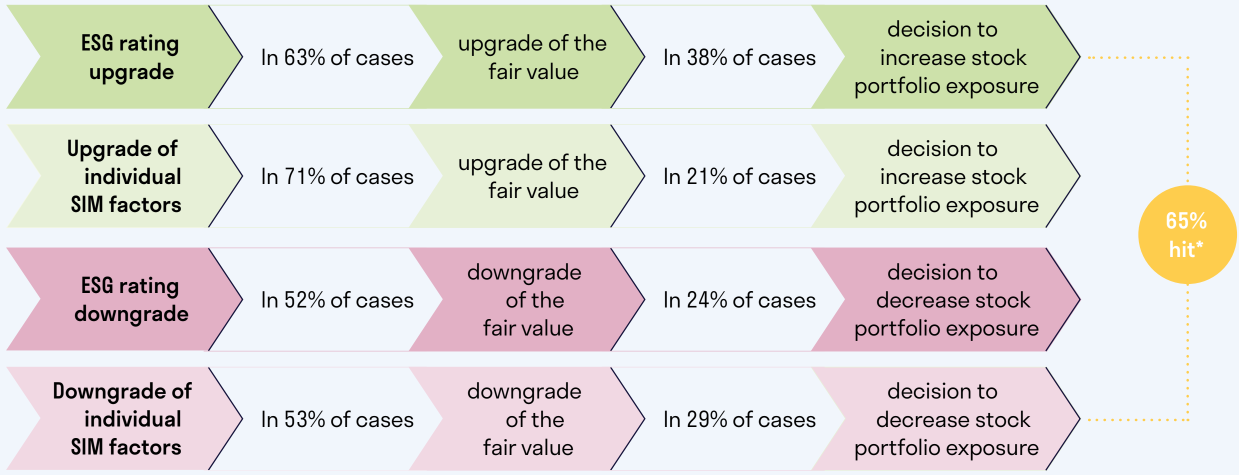
Another methodology we use to assess the impact of ESG integration is examining whether changes to our ESG ratings, often influenced by our engagement efforts:

- Affected our fair value calculations.
- Led to buy or sell decisions (see **Principle 7** for details on how ESG factors are embedded in our investment decision-making).
- Impacted the performance of stocks within our five core equity strategies.

Through multiple analytical iterations (ensuring that portfolio decisions can be confidently attributed to ESG upgrades or downgrades), we have arrived at the statistics shown in figure 5.4.

The results covering the last two years demonstrate that when changes in fair value and portfolio actions are influenced by ESG factors (often alongside other considerations), subsequent stock performance tends to align with our expectations.

### Figure 5.4: Investment impacts




Source: Sarasin & Partners. Data is from January 2023 through December 2024.

*Note: A 'hit' refers to:

- A decision to add/buy a stock following an ESG rating upgrade, where the subsequent relative return over six months was positive
- A decision to trim/sell a stock following an ESG rating downgrade, where the subsequent relative return over six months was negative.

**Past performance is not a reliable indicator of future results and may not be repeated.** Additionally, these are short-term periods, which may not align with the risk time horizon considered when making ESG rating changes. We aim to extend this analysis for longer timeframes. It is also important to note that ESG considerations are rarely the sole factor influencing fair value assessments or stock exposure decisions.

### Investments sold due to ESG concerns

A final methodology we use to assess the impact of ESG integration on equities is evaluating the value added from investments sold explicitly due to ESG concerns.

Over the past year, examples of such sales include FEMSA, Reckitt Benkiser, Equinor, and Service Corp.

We examined the impact of stocks sold on ESG grounds during the last seven years across individual funds. Figure 5.5 shows that, 12 months after divestment, these stocks declined by an average of 14% . This suggests that exiting these positions enhanced and helped protect clients' capital.

However, as previously noted, this analysis should be interpreted with caution due to small sample sizes and other inherent limitations. We remain committed to refining our quantitative analysis to enhance its rigour and reliability.





### Figure 5.5: Aggregate relative performance of stocks sold on ESG grounds

(12+ months after event)


Source: Sarasin & Partners analysis. Data for January 2018 – December 2024. Representative account shown for illustrative purposes.

## FIXED INCOME

In 2024, we did not conduct portfolio-level fixed income analysis, but we can highlight examples where our ESG analysis helped protect or enhance client capital.

Our ongoing review of portfolio performance (down to issuer level) allows us to assess the impact of ESG factors. In general, it is straightforward to identify cases where adverse ESG developments have triggered bond underperformance, as these events often unfold through breaking news stories that prompt immediate market reactions.

For longer-duration ESG risks, we have observed that borrowing costs tend to be lower for issuers with higher ESG scores than those with weaker ESG profiles. This trend is evident when comparing the spreads over the risk-free rate (measured using UK government debt – gilts) the market demands.

We provide two examples below.

### Higher ESG-rated water companies with stronger environmental and governance track records performed better

In 2024, the UK water regulator, OFWAT, set pricing for water companies for the next five years and introduce stricter environmental requirements for market participants. The UK water sector has long faced governance issues and financial mismanagement, increasing both credit and environmental risks – concerns highlighted by the regulator, credit rating agencies and investors.

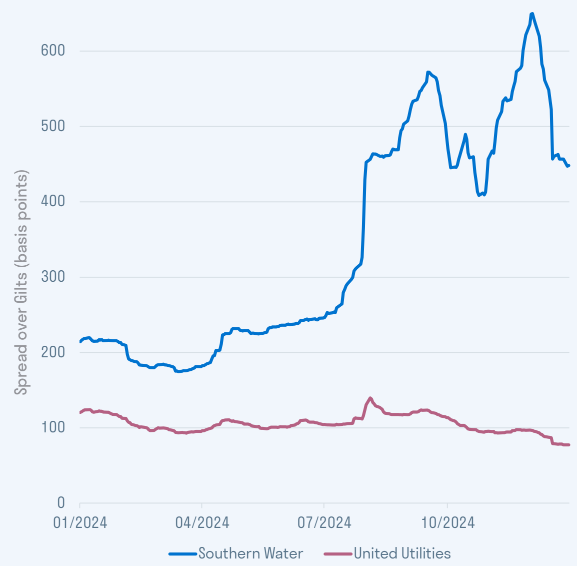
For example, Southern Water and United Utilities provide a clear comparison of ESG-related market impacts:

- Southern Water has a poor environmental track record and has faced governance issues in the past.
- United Utilities, by contrast, has a stronger environmental record and is publicly listed, ensuring greater investor oversight.

Market participants have demanded a higher return to compensate for rising risks in water delivery and sewerage management, particularly for lower-rated issuers like Southern Water.

Recognising these risks, in January of 2024 we exited our last remaining position in Southern Water and reallocated to higher-quality UK water sector names such as United Utilities, Severn Trent and Welsh Water. This decision shielded our portfolios from subsequent volatility and credit deterioration, as illustrated in figure 5.6.

### Figure 5.6: Credit spread performance of bonds with different ESG ratings: Southern Water vs. United Utilities




Source: Bloomberg, January 2025.

### Headwinds facing UK social housing

Another example is our review of the housing association sector, where we have adjusted our investment exposure towards more conservative names, such as Jigsaw Funding.

Figure 5.7 supports the view that the market is demanding higher returns to compensate for rising risks linked to non-social housing and financial viability. Notting Hill Genesis, a large housing association, generates a significant share of its revenue from outright market sales (which have limited social impact), alongside income from social housing. Many housing associations use market sales to fund social housing development, but this strategy increases exposure to housing market fluctuations.

In contrast, Jigsaw derives 95% of its revenue from social housing, with minimal reliance on market sales. Given these dynamics, we have continued to shift our investment exposure in the housing association sector away from riskier names like Notting Hill Genesis towards more stable, socially focused names like Jigsaw.

**Figure 5.7: Credit spread performance of bonds with different ESG ratings: Jigsaw Funding vs. Notting Hill Genesis.**


Source: Bloomberg, December 2024.

## EXTERNAL ASSESSMENTS AND AWARDS

While we have received awards and accolades across various aspects of our business, this section highlights those specifically related to stewardship and ESG assessments.

### IMPERIAL COLLEGE BUSINESS SCHOOL AND CARBON TRACKER GOLD AWARD IN NET ZERO FINANCE 2024

We were awarded a gold medal for our climate commitment and delivery.

"To identify those institutions that the report's authors say are walking the net zero path, the researchers screened both debt and equity investors' climate commitment and delivery and awarded the top institutions a Gold status reflecting their high scores."

### ICGN GLOBAL STEWARDSHIP DISCLOSURE AWARDS 2024

We were honoured to receive the International Corporate Governance Network (ICGN) Asset Managers Disclosure Award for firms with less than £60 billion in assets under management. This recognition was awarded for our commitment to transparency and best practices in stewardship, specifically for:

- Providing a clear and accessible link to our stewardship policies and reports, prominently displayed on our website homepage.
- Transparently disclosing our corporate governance structure, including detailed bios of all team members.
- Publishing a well-crafted Ownership Discipline document, demonstrating our long-term commitment to client holdings.
- Ensuring easy to access voting records, categorised into 'key votes' and 'voting details', along with a comprehensive list of resolutions. We also provide rationale for all 'against' votes.
- Maintaining a quarterly tracker that offers regular updates on voting and engagement activities.

ICGN awards are issued every two years. This is the third time Sarasin & Partners has received an ICGN Stewardship Award, with previous recognitions received in 2019 and 2021.





### IIGCC NET ZERO VOTING

We were named among the best practice examples showcased by the IIGCC in its 2024 Net Zero Voting Guidance for investors.

These examples, shown below, illustrate how we integrate responsible accounting, auditor accountability and an escalation approach into our voting activities to drive meaningful corporate change in climate-related risks.

**1. Investor example: Sarasin & Partners and voting escalation**

Sarasin & Partners' voting policy explicitly sets out a voting escalation process on narrative reporting for companies materially exposed to climate-related risks where the company fails to disclose their risk exposure; the materiality of these risks for the business outlook, including the key results of any stress testing/scenario analysis that has been undertaken; or how these risks are being managed to underpin long-term resilience and alignment with a 1.5°C-pathway.

Year 1

- Vote AGAINST the report and accounts.
- ABSTAIN on re-election of audit committee chair.

Year 2

- Following engagement, where no improvement is made:
- Vote AGAINST the audit committee chair (and potentially other audit committee members).

**2. Investor examples: voting on accounts and auditors**

Sarasin & Partners: "For entities materially exposed to climate risks, we will vote 'against' the reappointment of the auditor (and their remuneration where relevant) where they fail to detail how they have considered climate risks as part of the audit process; ensured consistency between narrative and financial statements; gained comfort that the assumptions used were appropriate; or alerted shareholders to potential misrepresentation."

"We will additionally 'abstain' on or vote 'against' (escalating in the second year of voting) where the auditor fails to provide commentary on how a 1.5°C-pathway has been considered and any material implications for the financial statements to this pathway. This should alert shareholders to any implications for dividend payments."

**3. Investor example: Sarasin & Partners and approaches to voting**

Sarasin & Partners provides another novel approach to voting. The organisation also votes against certain resolutions until the company provides evidence it has changed: not just at the end of the engagement but from the outset. This reconceptualises voting as a de-escalation technique, rewarding the company for responding to the investor's climate concerns.

### PRI RESPONSIBLE INVESTMENT ASSESSMENT

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

Our most recent PRI Assessment Report was published in 2023. We chose not to re-submit in 2024, following PRI's announcement that signatories could now submit reports every two years.

In our 2023 PRI Assessment Report, we received top marks (five stars) in five out of six modules. While we were awarded four stars in 'Confidence building measures', our performance in this module still exceeded the peer group median.

The lower score in this module, which PRI introduced for the first time in 2023, relates to the breadth of coverage of our internal audit. We are committed to expanding this coverage in future assessments.

**Figure 5.8: Summary of the latest PRI assessment**

| Sarasin & Partners | PRI 2023 ASSESSMENT | Median* |
|---|---|---|
| 97% ★★★★★ | Policy Governance and Strategy | 58% |
| 96% ★★★★★ | Direct – Listed equity – Active fundamental | 71% |
| 96% ★★★★★ | Direct – Listed equity – other | 51% |
| 98% ★★★★★ | Direct – Fixed income – SSA | 59% |
| 98% ★★★★★ | Direct – Fixed income – Corporate | 68% |
| 85% ★★★★☆ | Confidence building measure | 80% |

Source: PRI Reporting Framework 2023.

*Investment Manager signatories

### FRC UK STEWARDSHIP CODE

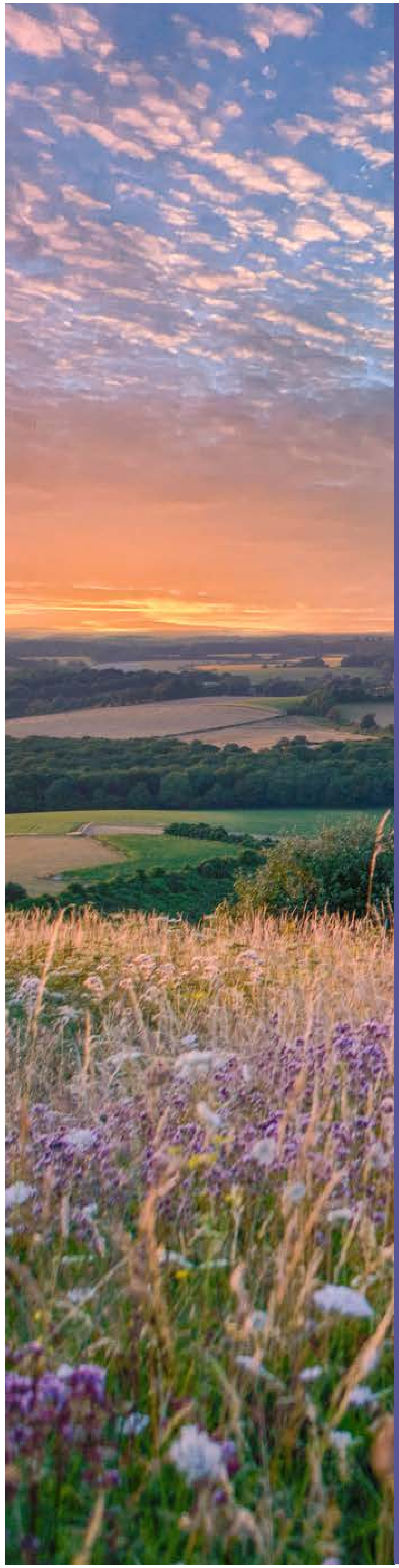
Based on our 2023 Stewardship Report, which demonstrated how we applied the Code's 12 Principles, Sarasin & Partners was once again confirmed as a signatory of the UK Stewardship Code in 2024.

### CIVIL SOCIETY FEEDBACK

We work with various partners, including civil society organisations, to maximise the impact of our collective efforts. We support their advocacy initiatives and frequently work together on research, thought leadership and public policy engagements. Here are some testimonials on our stewardship work.

> "Sarasin is an outstanding and vocal leader in efforts to better understand and interpret corporate financial health throughout the energy transition. Their strategic approach spans beyond corporate engagement, taking steps to engage critical actors including regulators and standard setters. This systemic approach cuts to the root of the issue and serves as a leading stewardship practice."
>
> *Andrew Logan, Senior Director, Climate and Energy, Oil and Gas, Ceres*

> "Sarasin and Partners has shown true leadership and exceptional diligence in its strategic approach to climate stewardship. It's clear, coherent and cross departmental approach gets results and is an example for others to follow."
>
> *Martin Norman, Director Global Investment Stewardship, ACCR*



# PRINCIPLE 6

# CLIENT AND BENEFICIARY NEEDS

## INVESTMENT APPROACH

**Our goal is to deliver enduring value for our clients. As outlined in Principle 1, we take a global, long-term and thematic approach to investing, with engaged stewardship at its core. This foundation allows us to tailor our investment service to meet individual client requirements.**

Regular and transparent communication is central to our approach. It ensures clients are:

- Fully informed about the financial performance of their assets.
- Updated on the stewardship activities undertaken on their behalf.
- Able to hold us accountable for the decisions we make.

Beyond accountability, these ongoing exchanges help us stay attuned to changing client needs, allowing us to adjust portfolios accordingly. They also enrich our understanding of emerging issues and create opportunities for collaboration, particularly in company and market-wide engagements.

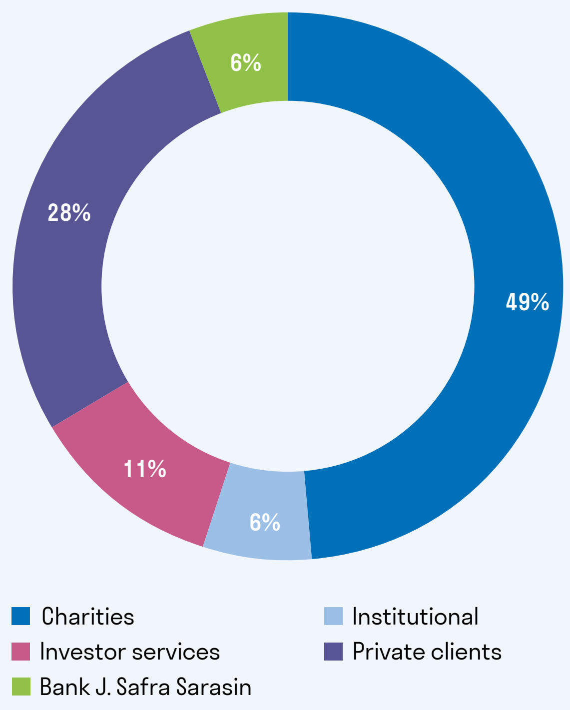
This section provides an overview of our client base, how we communicate with clients and how we seek and incorporate their feedback.

## CLIENT BASE

We manage assets for a diverse range of clients: charities, institutions, private clients and retail investors. While the majority are UK-based, we also serve a global client base, as figure 6.2 shows.

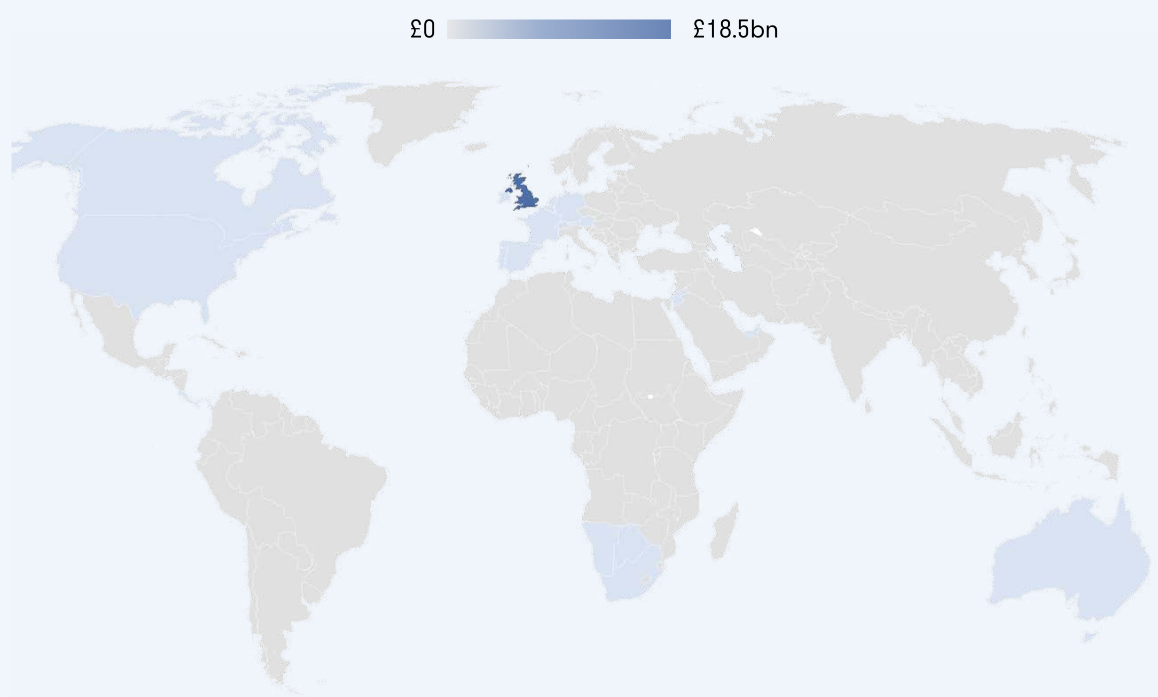
Sarasin & Partners' total assets under management as of 31 December 2024 were £18.5bn.

Figure 6.1: Client distribution as a proportion of assets




Source: Sarasin & Partners. Data as at 31 December 2024

Figure 6.2: Geographical distribution of clients




Source: Sarasin & Partners. Data as at 31 December 2024

## INVESTMENT SOLUTIONS, TIME HORIZON AND ASSET MIX

We provide a range of investment solutions designed to meet the diverse needs of our clients, including:

- 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 built on a global, long-term and thematic investment philosophy, with engaged stewardship at its core. This approach is underpinned by bottom-up fundamental analysis, ensuring a disciplined and research-driven process (see **Principle 7** for further detail).

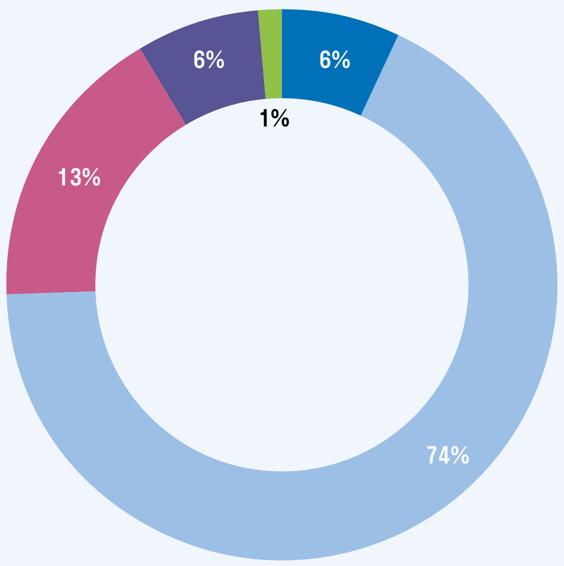
In line with our long-term focus, we are committed to delivering performance over a rolling five-year period.

Figures 6.3 and 6.4 provide a breakdown of our asset mix and geographical exposure.

## A COMMITMENT TO RESPONSIBLE STEWARDSHIP UNDERPINS ALL OUR STRATEGIES

As highlighted in **Principle 1**, our commitment to ESG integration and stewardship is fundamental to all our investment strategies. Some specialist strategies, such as Responsible Global Equity, place an even greater emphasis on ESG and stewardship expertise in response to client needs.

**Figure 6.3: Asset class mix**

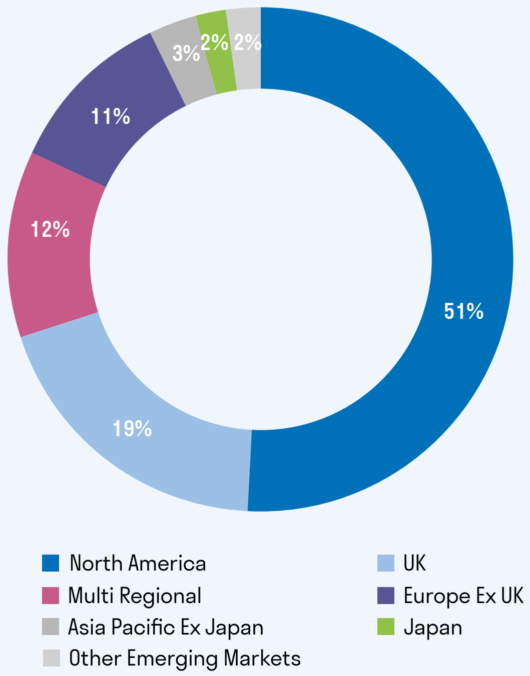



* Third-party funds and private market investments

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

Source: Sarasin & Partners. Data as at 31 December 2024

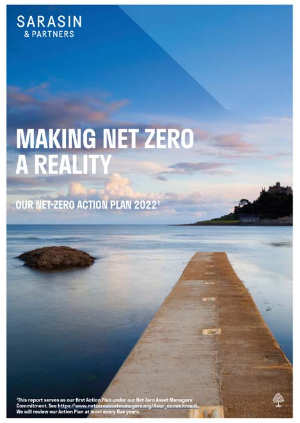
**Figure 6.4: Geographical asset breakdown**




Source: Sarasin & Partners. Data as at 31 December 2024








In December 2020, we became a founding signatory of the Net Zero Asset Managers Initiative (NZAM), reinforcing our commitment to aligning investments with net zero objectives. In February 2022, we published our Net zero action plan outlining our strategy to ensure that all fully discretionary assets are managed in line with the Paris Climate Agreement's goal to limit global warming to 1.5°C. By 2025, we aim to apply our Paris-alignment methodology to all our discretionary assets.

Our approach prioritises real-world decarbonisation through active engagement with companies and policymakers, rather than relying solely on divestment. However, we will divest when it aligns with our responsibility to protect client capital.

We also offer investment strategies that place greater emphasis on internal ESG ratings, climate stress-testing and active ownership (see **Principle 7** for further details). This includes such strategies as Responsible Global Equity, Responsible Corporate Bond, Tomorrow's World and Climate Active.

> "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."
>
> *Inka-Melissa Poulin, Director, Responsible investment at Desjardins Investments*

### ETHICAL SCREENS

We routinely apply ethical overlays to align with our clients' values and preferences. Over 70% of our charity portfolios include some form of ethical restriction, and many of our strategies follow a published exclusionary policy. Further details are available on our website.

## COMMUNICATION WITH CLIENTS

Regular, transparent and two-way communication is central to ensuring we continue to meet our clients' needs. It also enables clients to understand how we act as effective stewards of their capital. Providing high-quality client service requires dedicated resources and ongoing engagement.

In this section we outline:

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

### MEETING THE STRATEGIC NEEDS OF OUR CLIENTS

Our investment innovation is shaped by macroeconomic market trends and our commitment to serving clients within our core capabilities. Beyond our Climate Active strategy, our relatively recently launched Growth strategy exemplifies how we respond to client demand by developing new investment solutions.

### HOW WE COMMUNICATE WITH OUR CLIENTS

**Client meetings**

In addition to quarterly performance reports, we aim to meet with clients at least once a year to present the latest investment report and our outlook for the period ahead. Between formal reporting periods, we remain available for ongoing discussions to address client questions as they arise.

We also host monthly Charity Forum lunches, providing prospective and existing clients an opportunity to discuss:

- Key challenges in the charity sector.
- Emerging ESG and stewardship matters.
- How we can improve our investment offering.

**Client education**

We regularly host seminars and training events, including:

- Annual Spring Seminars.
- Autumn event for private clients.
- Charity Autumn Seminar for holders of our charity funds.
- Trustee training programmes, based on our Compendium of investment, which we have published for over 20 years; we published the latest one in 2024.

Since 2022, we have trained over 6,000 trustees.

**Our quarterly House Report**

We publish a quarterly House Report, featuring industry comment and investment insights.

In 2024, these reports were distributed to **4,000** clients each quarter, via both email newsletters and print copies.

CLIENT AND BENEFICIARY NEEDS PRINCIPLE 6

### Client reporting

**Bespoke stewardship reports**

In 2023, we introduced our first bespoke stewardship report for clients, detailing the ESG profile of their portfolios along with key stewardship activities and their outcomes. This initiative continued in 2024, with further enhancements planned for 2025.

**Quarterly client valuation reports**

These reports provide:

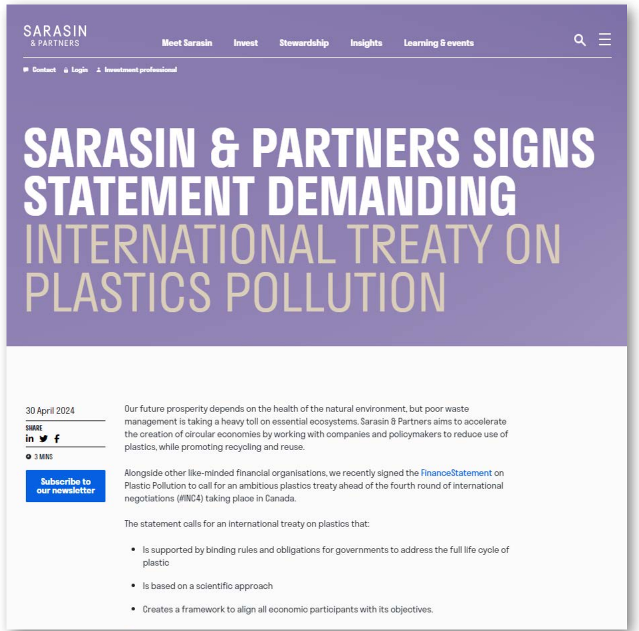
- Performance summaries and attribution analysis.
- Full transparency on underlying securities, including ESG profiles.
- Summary of progress on key company and policy engagements.
- Key votes.

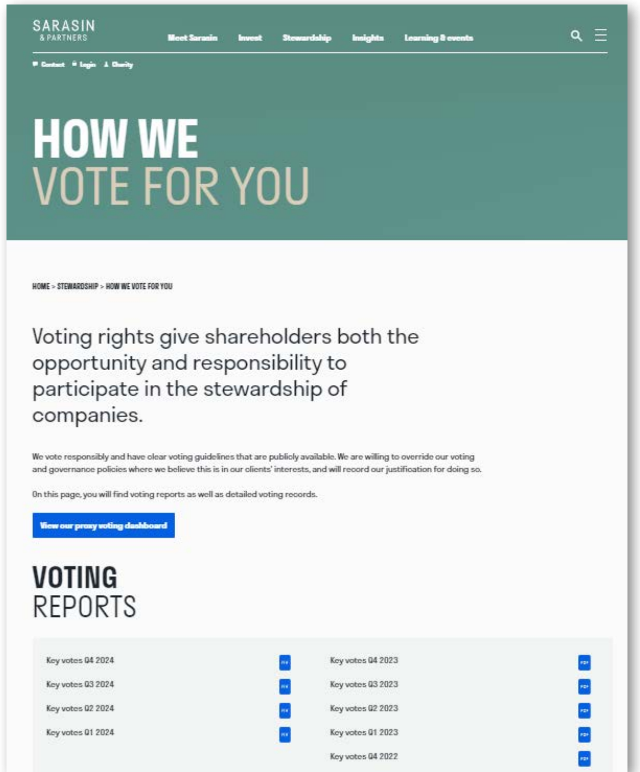
Clients investing in our pooled funds benefit from our look-through tool, offering full visibility of underlying securities.


### Website

Our website offers interactive and timely updates on our ESG and stewardship activities. Key features include:

- Quarterly voting disclosures.
- Proxy voting dashboard allowing to see all our votes and their rationales for a given period and given portfolio.
- Insights on company engagements and market-wide initiatives.
- Dedicated thought leadership on climate and governance issues, including analysis of COP28 and Equinor.




## CASE STUDY: ENHANCING DIGITAL ACCESS – CLIENT PORTAL

In 2022, we launched an interactive online reporting service to provide clients with on-demand access to portfolio information. As of December 2024, the portal has over **4,000** users, with **100+ daily logins**, increasing to 150+ during key valuation periods. Key features include:

- Secure, customised access to portfolio information.
- Mobile-friendly design for seamless use across devices.
- Interactive performance reporting, including ESG data, voting records and engagement highlights.
- Personalised dashboards, allowing clients to prioritise key information (for professional advisers).

Through the Themes and Stewardship section, clients can view:

- Portfolio ESG profiles.
- Key engagements and voting records.
- Investment insights and market analysis.

The portal is available on desktop and mobile, via the Apple and Google Play stores.

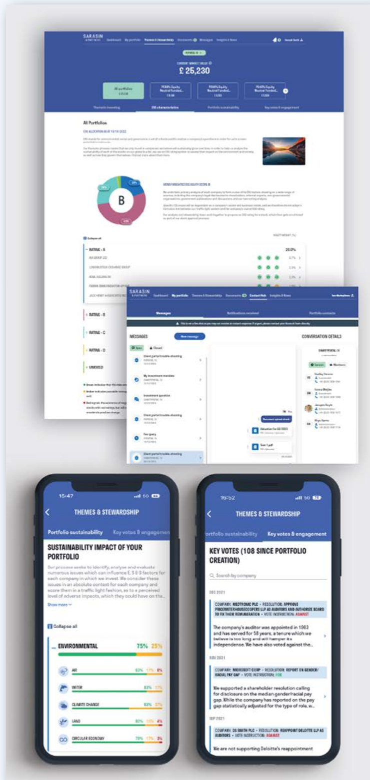
### WHAT'S NEXT?

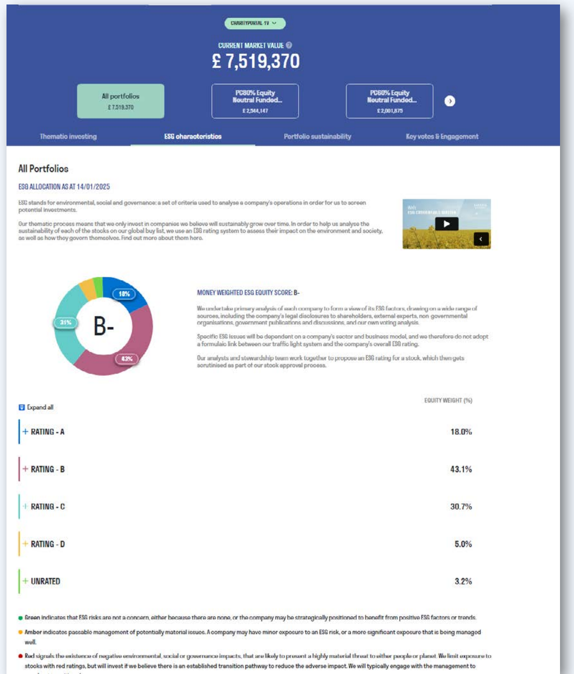
By the end of Q1 2025, we will introduce a suitability function within the client portal, enabling clients to:

- Inform us of changes to their investment objectives.
- Update their sustainability preferences.
- Provide feedback in a flexible and streamlined manner.

This enhancement will give Sarasin & Partners up-to-date insight into our client base. This, in turn, will allow us to respond to client needs with greater agility.

In parallel, we are developing a client onboarding and portfolio opening functionality throughout 2025, scheduled for release in 2026. This feature will allow both new and existing clients to open new portfolios directly through the portal via an integrated workflow. Additionally, we will roll out an enhanced professional adviser view of the portal in 2025, providing advisers with improved access and functionality to better serve their clients.





### Social media engagement

We continue to enhance our social media presence via LinkedIn and X (formerly Twitter). In 2024, we saw growing interest in our stewardship work, particularly our:

- Policy outreach on climate risks in bank balance sheets.
- Collaboration on developing ethical AI standards.

We also continue to invest in staff training, ensuring we provide relevant and insightful content to clients and stakeholders.

**28,800**

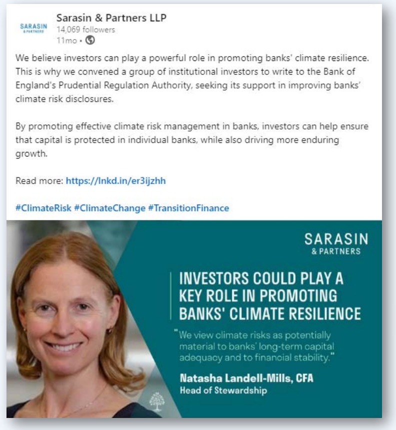
X followers

**14,232**

LinkedIn followers

**8.8%**

increase in LinkedIn followers from the previous year


Sarasin & Partners LLP
14,069 followers
11mo •

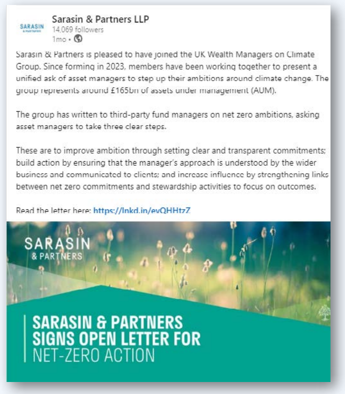
We believe investors can play a powerful role in promoting banks' climate resilience. This is why we convened a group of institutional investors to write to the Bank of England's Prudential Regulation Authority, seeking its support in improving banks' climate risk disclosures.

By promoting effective climate risk management in banks, investors can help ensure that capital is protected in individual banks, while also driving more enduring growth.

Read more: https://lnkd.in/er3ijzhh

#ClimateRisk #ClimateChange #TransitionFinance




Sarasin & Partners LLP
14,069 followers
1mo •

Sarasin & Partners is pleased to have joined the UK Wealth Managers on Climate Group. Since forming in 2023, members have been working together to present a unified ask of asset managers to step up their ambitions around climate change. The group represents around £165bn of assets under management (AUM).

The group has written to third-party fund managers on net zero ambitions, asking asset managers to take three clear steps.

These are to improve ambition through setting clear and transparent commitments; build action by ensuring that the manager's approach is understood by the wider business and communicated to clients; and increase influence by strengthening links between net zero commitments and stewardship activities to focus on outcomes.

Read the letter here: https://lnkd.in/evQHHtzZ



Source: X and LinkedIn, Sarasin & Partners.
Data as at 31 December 2024

## HOW WE COLLABORATE WITH OUR CLIENTS

In 2024, we encouraged clients to actively engage with our stewardship process. They have the opportunity to:

- Sign up for open letters to auditors, regulators and companies.
- Participate more directly in engagement initiatives.

Our collective letter to the SEC (see **Principle 4**) was co-signed by 17 of our clients, and our collective letter to Meta (see **Principle 10**) was co-signed by 15 of our clients. Both letters were sent in October 2024.

## HOW WE SEEK CLIENT FEEDBACK

Client satisfaction is a top priority. We continuously seek feedback through:

- Request-for-proposal (RFP) and due diligence questionnaire (DDQ) processes
- Onboarding discussions
- Regular one-on-one dialogue
- Client gatherings and structured surveys

These provide valuable insights into what clients value most about our stewardship approach, and areas where we can enhance our offering.

In 2024, we conducted a **client survey** to better understand their priorities and perceptions of our stewardship work. In this survey:

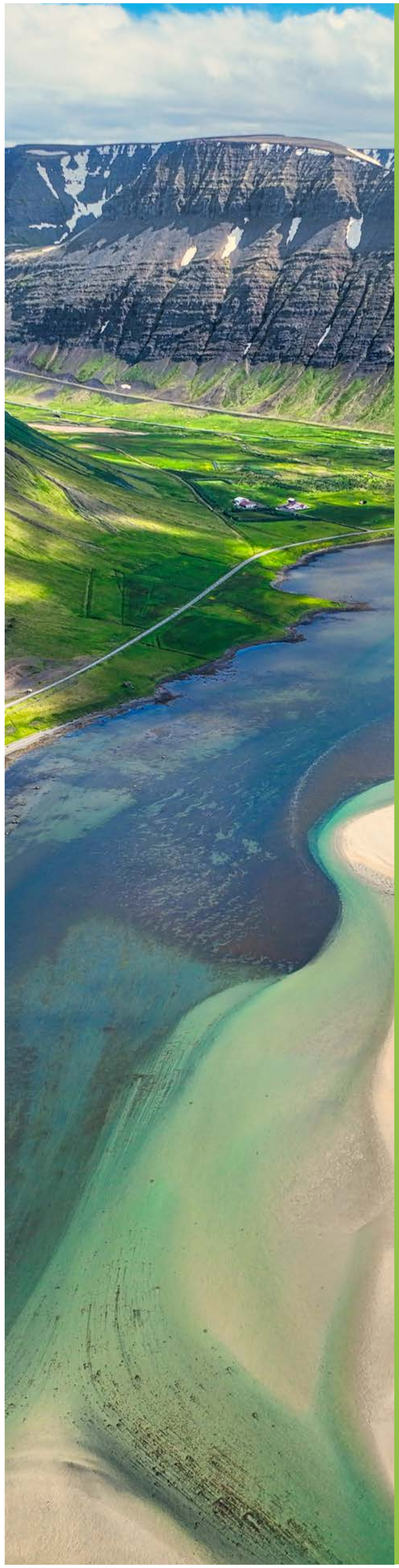
- 88% of clients rated our stewardship efforts as either 'effective' or 'very effective', highlighting broad support for our approach.
- Clients ranked our stewardship initiatives by priority (see figure 6.5 for details).

**Figure 6.5: Ranking our stewardship initiatives**

| STEWARDSHIP INITIATIVES | PRIORITY |
|---|---|
| Good Governance | 1 |
| Robust and Independent Accounting and Audit | 2 |
| Paris Alignment | 3 |
| Social Value Chain | 4 |
| Responsible Tech | 5 |
| Circular Economy | 6 |

The survey was conducted at the charity client seminar in November 2024. We received 38 client responses.

The survey also highlighted key areas of interest for our clients, including the moral dilemma of stewardship in an anti-ESG world and the global regulation of AI and the importance of engagement on responsible tech. These insights closely align with our forward-looking priorities and will help us refine and enhance our services in line with client expectations and emerging global trends.



# PRINCIPLE 7

# STEWARDSHIP, INVESTMENT AND ESG INTEGRATION

**As we outlined in Principle 1, responsible stewardship is central to our investment approach. We take a long-term, global perspective, looking beyond business cycles to focus on societal trends that are likely to endure for decades. For most strategies, we aim to deliver financial performance on a rolling five-year basis.**

Our approach is built on three core pillars:

- A global thematic investment process that focuses on long-term value drivers.
- Active ownership to encourage more sustainable company behaviour, supporting long-term investor returns.
- Thought leadership and policy outreach to drive positive market-wide change.

In this section, we focus on pillar 1 – our approach to selecting securities for client portfolios. We begin with our equity investment process before turning to fixed income and alternatives. Pillar 2 is covered in **Principles 9–12**, while pillar 3 is discussed in **Principle 4**. The three pillars are interconnected, providing insights beyond those captured through bottom-up analysis alone.

## EQUITIES

ESG considerations are integrated into every stage of our investment process:

- **Idea generation**, which evaluates long-term thematic trends such as ageing or climate change (see box on the right).
- **Stock selection,** incorporating bottom-up ESG and climate impact analysis.
- **Portfolio construction**, ensuring that sustainability factors are reflected in portfolio decisions where relevant.

## OUR EQUITY THEMATIC INVESTMENT PROCESS

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

### 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 (~800 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, including relevant ESG factors, to avoid unintended risks

**Sarasin Global Equity portfolio (25-50 stocks)**

### IDEA GENERATION: OUR THEMES

The first step in our investment process is idea generation. We seek opportunities in areas where we anticipate long-term, durable growth, underpinned by what we describe as themes. We believe themes are more enduring when they align with a more sustainable society.

### STOCK SELECTION

Once we have identified attractive opportunities within our themes, we conduct detailed bottom-up analysis, with ESG as a core consideration. Our ESG analysis comprises three key components:

1. Sustainability Impact Matrix (SIM). We assess 15 ESG factors using over 160 data points and criteria. This is an absolute assessment rather than relative comparison within an industry. Each factor is assigned a red, amber or green rating to indicate its impact on the environment, people and governance.
2. ESG pillar assessments. Based on the SIM analysis, we derive an overall traffic light rating for the E, S and G pillars, reflecting the expected financial materiality of adverse impacts.
3. Overall ESG rating. We translate the ESG traffic lights into an A to E rating, with optional momentum indicators (+/-) to reflect changes over time. This rating measures the extent to which external impacts are expected to be internalised. An 'A' rating indicates that ESG factors present a positive investment opportunity. An 'E' rating suggests the security is uninvestible due to ESG risks, leading to its removal from our buy list. Whether ESG presents a challenge or an opportunity, the rating is incorporated into our valuation model to ensure these factors are reflected in investment decisions.

### SARASIN'S THEMATIC INVESTMENT APPROACH

Investment themes leading to companies with sustainable long-term businesses

**DIGITALISATION**

- Analytics
- Cloud
- Digital media
- Connectivity
- Digital commerce
- Processing

**AUTOMATION**

- Factory, robotics and AI
- Supply chain
- Food chain technology
- Test and verify
- Nacent adopters
- Security

**AGEING**

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

**EVOLVING CONSUMPTION**

- Diet and nutrition
- Active lifestyle
- Emerging consumer
- Experience economy
- Aspirational consumer

**CLIMATE CHANGE**

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

### SUSTAINABILITY IMPACT MATRIX (SIM)

Investment themes leading to companies with sustainable long-term businesses

| E | S | G |
|---|---|---|
| Climate change | Supplies | Board structure and effectiveness |
| Circular economy | Employees | Investor rights |
| Land | Customers | Reporting and audit |
| Air | Bribery and corruption | Executive remuneration |
| Water | Cohesive society | Business ethics |

IDENTIFIES POTENTIAL OPPORTUNITIES, AS WELL AS ADVERSE IMPACTS FOR THE ENVIRONMENT, SOCIETY AND GOVERNANCE

### OVERALL ESG RATING

UPSIDE FROM ESG UPGRADES

| E | D | C | B | A |
|---|---|---|---|---|
| Not investable | | | | Highest rating |

INDICATES TO WHAT EXTENT ESG IMPACTS INVESTMENT CASE AND VALUATION

### A TEAM-BASED APPROACH TO DETERMINE THE ESG RATING

The lead analyst within the equity team proposes the SIM assessment and ESG rating as part of the initial stock analysis. These ratings are then reviewed through our stock approval process and discussed at the weekly team meeting, which includes the stewardship team.

If views diverge, the head of equity research reviews the assessment and makes the final decision. While analysts are responsible and accountable for their ESG assessments, the head of equity research provides oversight.

To assess the financial materiality of ESG factors, we rely on the analysts' evaluation of the economic consequences of identified risks and opportunities. The materiality of specific ESG issues varies depending on a company's sector, business model and industry dynamics. We do not adopt a rigid formula between ESG pillar assessments and overall ESG ratings. Instead, our stock initiation notes demonstrate how the SIM assessment informs our broader view of a company's prospects.

Our fully integrated approach ensures ESG factors are evaluated by analysts with deep knowledge of the company, industry and business model, leading to a more reliable assessment of financial materiality.

We conduct primary analysis to form our SIM assessments, drawing on a wide range of sources, including

- Company disclosures (such as annual report and accounts, sustainability reports and Task Force for Climate-related Disclosures (TCFD) reports).
- External experts.
- Non-governmental organisations and government publications.
- Engagement and voting analysis.

In 2024, enhancements to our process included the following:

- We refined our thematic investment process, enhancing our quant screening tool to include additional indicators measuring historical quality, growth and income factors. After a successful testing phase, we formally launched the new process in January 2025.
- We integrated additional data points from MSCI ESG Manager into our SIM. This enhanced our ESG risk and opportunity analysis, allowing for better comparisons across industries, geographies and benchmarks while preserving scope for analytical judgement.

STEWARDSHIP, INVESTMENT AND ESG INTEGRATION PRINCIPLE 7

## CASE STUDY: CLIMATE STRESS-TESTING

As part of our NZAM Action Plan, we have continued to enhance climate stress-testing across our portfolios. This process involves three key steps:

- Identification of our high-risk holdings, known as our Climate Amber List (CAL).
- A qualitative net zero alignment assessment.
- A quantitative climate stress test, producing a climate value at risk for equities.

### CLIMATE AMBER LIST (CAL)

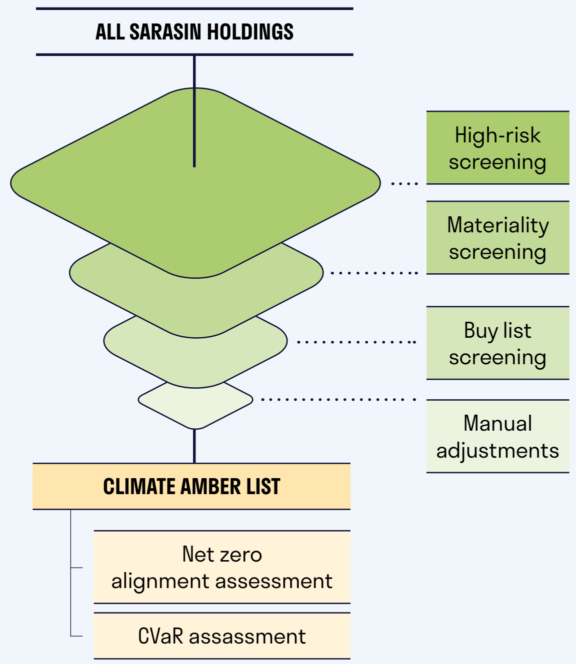
We use a quantitative filtering process (see figure 7.1) to identify higher-risk holdings for targeted climate analysis and engagement.

After the automated screening, our stewardship, equity and fixed income teams conduct a manual review to adjust for any misclassifications. These might include:

- Removing low-emission companies in high-risk sectors that may have been incorrectly flagged.
- Adding high-emission companies that the screening process may have missed.

The CAL is updated quarterly to ensure our analysis remains current.

**Figure 7.1: Our quantitative filtering process**




**Step 1: High-risk screening**

- Transition Pathway Initiative high-risk industries
- Financials*
- Real estate*
- Food and agriculture*
- Aerospace and air freight*
- CA100+ focus list*

*Included due to sectors' carbon dependence in the production process, supply chain or end market

**Step 2: Materiality screening**

- Total exposure >£10m

**Step 3: Buy list screening**

- Screen against core equity buy list

**Step 4: Manual adjustments**

- Mis-categorisation (e.g. renewables companies removed)
- Carbon footprint (scope 1-3) inconsistencies

### NET ZERO ALIGNMENT ASSESSMENT (NZAA)

The NZAA is our internal qualitative assessment of an entity's exposure to climate-related risks under a 1.5°C pathway, as well as the steps taken to mitigate these. We consider:

- Backward-looking data, such as historical emissions.
- Forward-looking indicators, such as efforts to align with a low-carbon pathway, governance of climate-related risks, disclosure to shareholders and incentive alignment through remuneration policies.

Based on this assessment, companies are rated as not aligned, partly aligned or aligned (see figure 7.2).

**Figure 7.2: 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 Climate Value-at-Risk (CVaR) score or net zero assessment, predominantly those on the CAL.

STEWARDSHIP, INVESTMENT AND ESG INTEGRATION PRINCIPLE 7

## CASE STUDY: CLIMATE STRESS-TESTING (CONTINUED)

### QUANTITATIVE CLIMATE STRESS-TESTING

#### Equities: climate value at risk (CVaR)

CVaR is our in-house approach to quantifying the potential valuation impact of a 1.5°C pathway for higher-risk equity holdings identified in our CAL. This analysis enhances our understanding of portfolio exposure to transition risks, enabling us to manage them more effectively.

Our CVaR calculation is based on a discounted cash flow model, comparing two scenarios:

- A 1.5°C-scenario, aligned with the Paris Agreement.
- A business-as-usual scenario, assuming no significant climate action.

This analysis seeks to quantify how a company's financial prospects might change under a Paris-aligned transition:

- If the 1.5°C scenario results in a lower valuation than the base case, the CVaR is negative, indicating a potential financial risk.
- If the 1.5°C scenario results in a higher valuation, the CVaR is positive, suggesting a potential opportunity (see figure 7.3).

Our CVaR model assumes that a company's response to climate risks aligns with its publicly stated commitments – and no more. This provides a baseline assessment of downside risk based on current plans, while also highlighting the potential upside from engagement to drive further climate action.

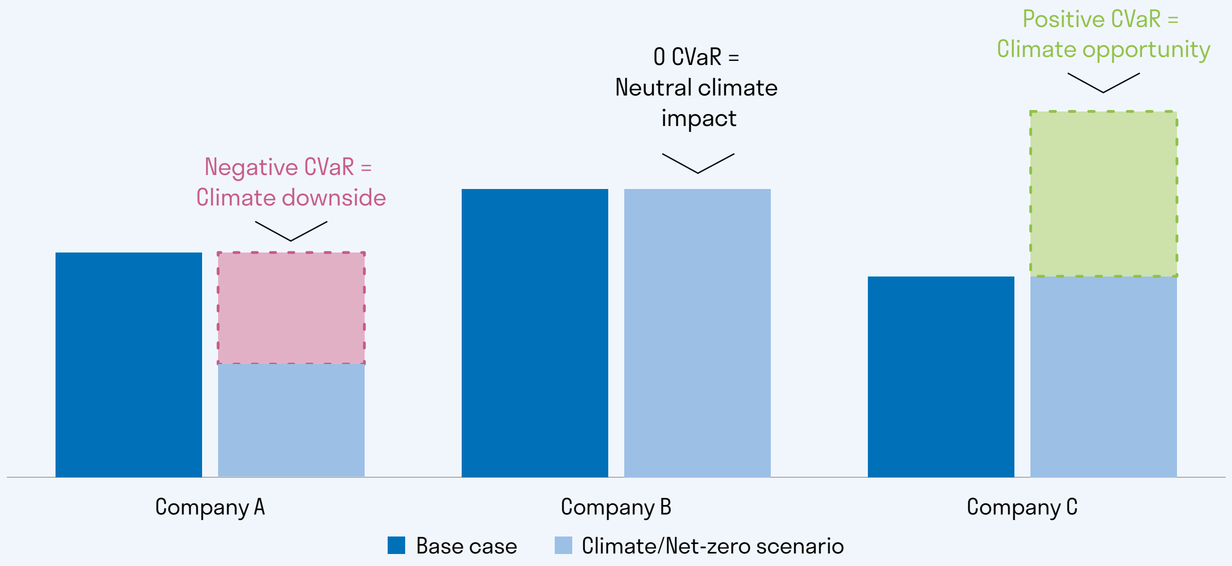
Crucially, CVaR moves beyond a simplistic assumption that a higher carbon footprint always translates to downside risk. Instead it incorporates the potential effects of:

- Government policies, such as carbon taxes or product bans.
- Shifts in consumption patterns, such as declining demand for international travel.
- Market dynamics, including changes to revenue growth, margins, capital expenditure requirements and asset values.

This more nuanced approach offers deeper insight into both economic risks and opportunities, making it a valuable tool for investment decision-making.

In 2024, we conducted 25 CVaR stress tests on CAL companies, further refining our understanding of transition risk and potential investment implications.

#### Figure 7.3: Examples of CVaR




#### Climate stress testing for bonds

Our approach to climate stress testing for bonds differentiates between banking and non-banking corporate debt to assess the potential valuation impact of climate risks.

For banks, we leverage data from regulatory stress-testing exercises to evaluate balance sheet resilience to climate risks. Our analysis includes:

- Using average climate expected credit losses* to stress-test common equity tier 1 (CET1) ratios for banks and solvency positions for insurers.
- Where data allows, we may apply issuer-level adjustments to reflect our assessment of potential higher or lower climate risks.

For non-bank corporate debt, our climate stress test involves:

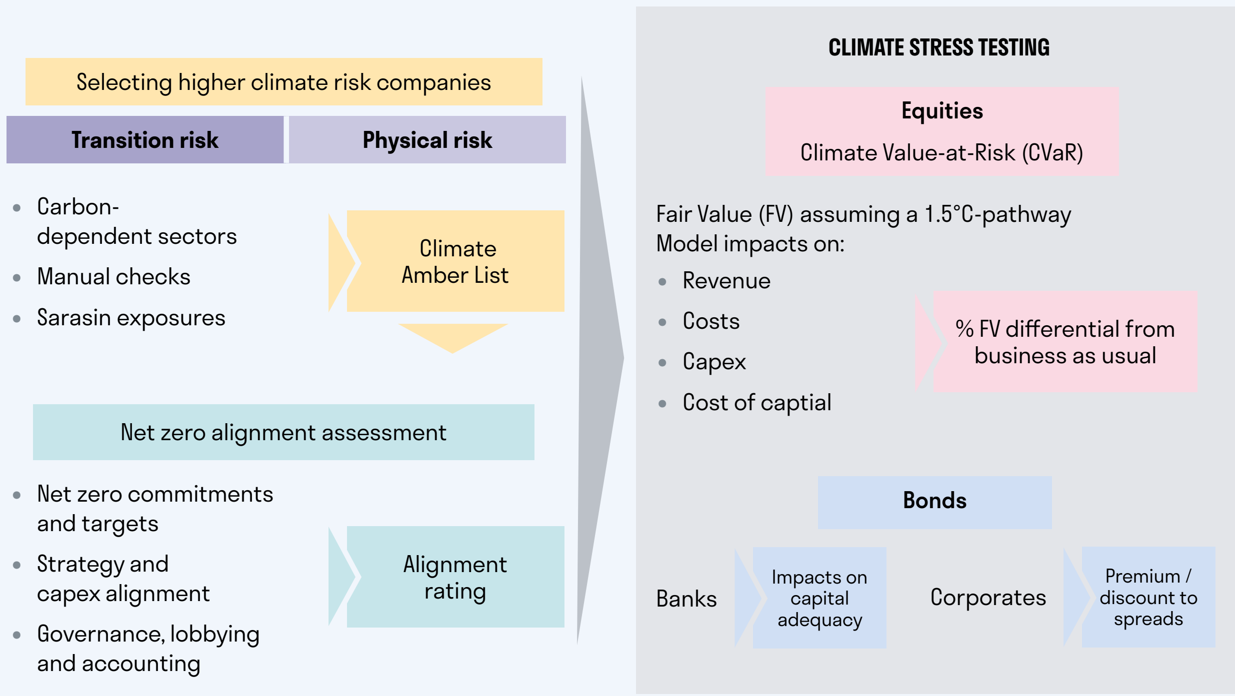
- Applying a climate risk premium to the market spread of each bond under the different NGFS scenarios.
- Stress-testing each bond's valuation across different points on the yield curve to model its performance under varying climate conditions.

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

### ENGAGEMENT IMPLICATIONS

Our NZAA and climate stress-testing work not only provides investment insights but also plays a crucial role in shaping our engagements and voting decisions. For further details, see our engagement case studies in **Principles 9–11** and voting outcomes in **Principle 12**.

#### Figure 7.4: Climate stress-testing process



### INTEGRATION INTO INVESTMENT THESIS AND VALUATION

When our ESG analysis identifies financially material implications for a company, these insights are explicitly reflected in analysts' investment theses, models and valuations. The impact on business economics varies by company, and analysts use their expertise to determine how ESG factors impact financial performance. This will be explained in the stocks note and discussed before making a decision to include a stock in the our buy-list.

### PURCHASE AND PORTFOLIO CONSTRUCTION

Once a stock is approved for the buy list, it can be purchased based on the analyst's stock rating. Portfolio managers are responsible for determining the timing and the size of the position within the portfolio.

ESG integration is a fundamental component of all our funds and strategies. In some cases, we place greater emphasis on ESG factors to align with client requirements. Examples of these strategies include Responsible Global Equity, Climate Active and Tomorrow's World. Further details on these strategies can be found at sarasinandpartners.com

In addition to our ESG integration, we manage ethical screens for clients who require exclusions base on our 16 ethical considerations.

Our thematic approach is not benchmark-constrained, which allows us to focus on the highest-conviction ideas. Rather than comparing companies within a sector or region, our ESG analysis is based on assessing the absolute risk to capital.

Emerging markets often have lower ESG scores due to less developed institutional frameworks and market practices. We do not adjust ESG scores upwards to artificially 'level the playing field', as doing so would dilute the value of the analysis in identifying absolute investment risk.

As figures 7.5 to 7.7 show, our core funds in 2024 had a greater weighting in high-rated ESG stocks than those with lower ESG ratings. Viewed through a sector and geographic lens, our portfolios hold fewer emerging market and energy stocks than the market benchmark.

We review and update our ESG analysis at least annually as part of the stock review process. If material ESG characteristics change at any point, the SIM rating is updated immediately to reflect the new information.

## PERCENTAGES OF A AND D-RATED STOCKS

**Figure 7.5: Thematic Global Equity Strategy**

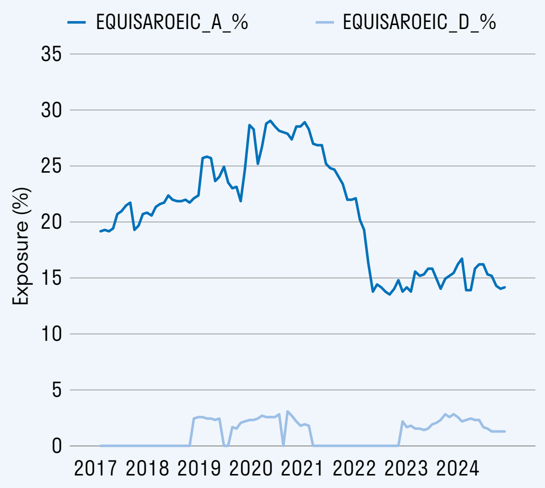



**Figure 7.6: Climate Active Strategy**

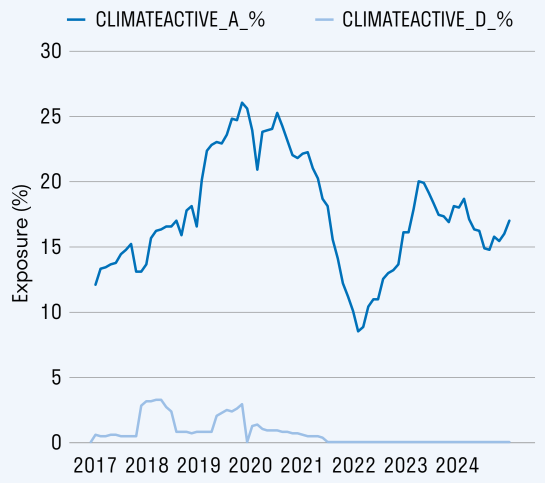



**Figure 7.7: Global Dividend Strategy**


Source: Sarasin & Partners, 29 December 2024





### EVIDENCE OF HOW OUR ESG ANALYSIS IMPACTS INVESTMENT DECISIONS

Our ESG analysis and stewardship efforts play a direct role in shaping stock purchases, sales and client outcomes.

An initial analysis, presented in **Principle 5**, found a positive correlation between our ESG assessments and stock performance. Companies with an ESG rating of A have generally outperformed those rated D, reinforcing our belief that strong ESG performance supports financial resilience. We have also seen evidence that buying or selling securities due to ESG considerations has helped protect and enhance client capital. While these findings are reassuring, we recognise the statistical limitations of the analysis and interpret the results with caution.

To assess the impact of ESG factors on investment decisions, we track key metrics across our process, such as from changes in ESG ratings leading to security rating adjustments, and eventual investment actions. This includes decisions to increase, reduce, buy or sell holdings. For example, in 2024, we removed FEMSA, Equinor and Service Corp from our portfolios due to ESG concerns, among other considerations.

Thematic investing naturally leads us to companies with strong social or environmental opportunities, as we aim to align with societal trends that drive long-term value. A clear example of this is our climate change theme, where all included stocks benefit from strong climate-related value drivers. As of 31 December 2024, these stocks accounted for 11% of our global equity buy list by value.

## FIXED INCOME

Our ESG integration approach for fixed income combines top-down screening and thematic tilts with bottom-up ESG analysis. While the principles align with our equity process, the methodology differs due to the nature of fixed income as an asset class and the broader universe of securities covered.

### ETHICAL SCREENING

Our negative screening process excludes sectors that do not align with our responsible investment principles. Typical exclusions include tobacco, alcohol, armaments, pornography, tar sands, fossil fuel extraction, gambling and predatory lending.

### A THEMATIC APPROACH

Within fixed income, we prioritise lending to entities that contribute to sustainable growth or generate positive externalities. This preference is implemented through structural limitations on sectors or activities in decline or those with higher ESG risks. Industries such as oil and gas, mining, automotive, plastics and industrials are subject to these constraints.

By contrast, we focus on issuers that actively support sustainable growth, leading to overweight allocations relative to benchmark in sectors such as renewable energy infrastructure, housing associations, education, public transport and the not-for-profit sector (see figure 7.8).

To identify target assets, we integrate our thematic investment approach with fundamental credit risk analysis, evaluating issuers across eight defined categories.

### BOTTOM-UP ESG SCORES

We have developed a proprietary ESG scoring system for non-governmental fixed income issuers, using a materiality map to assign sector risk weights and issuer-reported data to determine E, S and G scores. This system enables us to identify issuers with the strongest ESG data metrics, while also addressing relative value and risks for investment decisions.

While systematically collecting this data, we engage with issuers to explore how our investments can further support sustainable, long-term growth.

**Figure 7.8: Sectors that support sustainable growth**


### CALCULATING AN ESG CREDIT RATING

We apply a six-step process to calculate ESG credit ratings for the issuers. We only invest in securities from issuers rated ESG investment grade (BBB or above), which equates to an ESG score of 3 and higher.

1. **Creating a materiality map.** We assess ESG exposure across industry sectors, assigning risk scores from 1 (low) to 3 (high) for each of the 15 factors in the SIM (see earlier description).
2. **Determining sector weightings.** Risk scores guide relative weightings for E, S and G in each sector. For

example, transport carries a higher environmental weighting, universities have a higher social focus and banks are more influenced by governance factors.

3. **Setting guidance ranges for ESG scores.** Each sector is assigned a materiality map for E, S and G scores, reflecting the distribution of scores within that sector. While analysts have some discretion to adjust scores, deviations must be justified within these predefined ranges.
4. **Conducting SIM assessment using double materiality and quantitative analysis.** For individual issuers, analysts assign a score from 1 to 3 for each SIM factor, taking into account the sector-specific materiality map range and data from Bloomberg's quantitative analysis. When Bloomberg data is unavailable, we conduct internal analysis, particularly for private issuers selected for their social or environmental benefits (as outlined in our thematic approach to fixed income). Analysts also evaluate the aggregate E, S and G scores, ensuring double materiality – the impact of ESG factors on both financial performance and broader society – is fully considered.
5. **Aligning ESG scores with letter ratings and colour codes.** Applying sector-specific weightings, we calculate a weighted ESG score (0 to 10), which is then converted into an ESG letter rating for consistency with equity ratings.
6. **Ensuring consistency and supporting evidence.** The final step in the ESG credit rating process focuses on maintaining consistency and ensuring that each assessment is well-supported by data. Analysts evaluate both quantitative and qualitative inputs to verify the accuracy of ESG scores. When sufficient data points are available, we rely on quantitative analysis to compare an issuer's ESG performance against its peer group. However, if data is limited or lacks statistical significance, we conduct a qualitative review to ensure the assessment remains robust. Given that the ESG assessment is, at least in part, a relative value assessment, it is essential to consider how an issuer's ESG score compares with its main industry peers. This approach helps maintain consistency and enhance decision-making.

## UPDATES IN 2024

In 2024, we:

- Reviewed and updated the fixed income ESG process and materiality map. We also conducted net zero alignment assessments for high-carbon-intensive bond holdings with material exposure and updated our climate stress testing with our NZAM commitment.
- Established a CAL for fixed income and carried out NZAA assessments for the entities included.
- Engaged with bond holders, conducting eight engagement activities particularly in the financial services and housing association sectors, with a focus on our key thematic priorities.

### 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 2024

## ALTERNATIVES

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

### ESG INTEGRATION

ESG integration is a key part of our investment process for alternatives, just as it is for equities and fixed income. As part of our due diligence, we conduct a detailed assessment of our funds' ESG and stewardship performance, with a particular focus on governance structures. We seek confirmation that investees integrate ESG considerations, climate risk and social risk exposures into their investment process. Where concerns arise, we engage with the board and, where necessary, the investment manager.

Investment companies listed on the LSE typically delegate day-to-day investment execution to external investment managers under investment management agreements. As these managers operate independently and often oversee diverse investment portfolios, assessing ESG characteristics within this structure is more complex than in standard corporate environments. We require clear evidence that ESG integration is meaningful and directly influences investment decisions. Additionally, we prioritise funds where stewardship responsibilities are taken seriously, with a demonstrated commitment to active engagement with their underlying investments when concerns arise.

Alongside investment strategy, we assess the governance structure of investment vehicles themselves. Many boards lack the necessary expertise or motivation to critically assess investment manager decisions. We have observed instances where poor strategy execution went unaddressed due to board inaction, as well as cases of related-party transactions on non-market terms and even fraud at the investment manager level, which boards failed to identify in a timely manner. This issue is aggravated by the absence of an internal control function at many investment trusts. We also challenge the incentives structures of external managers investment trusts which lacks alignment with shareholder interests.





Our analysis of governance weaknesses provides a foundation for engagement with investment companies.

### ETHICAL SCREENING

As with our equity and fixed income investments, we apply negative screening to exclude investments in sectors associated with harmful activities, such as weapons production, alcohol, tobacco, gambling and thermal coal. These ethical restrictions significantly reduce the size of our uncorrelated (absolute return) universe, leading to the exclusion of a substantial portion 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 of the three pillars in our stewardship approach: ESG integration. The second pillar, active ownership, is covered in **Principles 9–12**, while the third pillar, market outreach work, is discussed in **Principle 4**. These pillars are not independent; rather, they interact continuously, strengthening our analysis and enhancing the impact of our approach.

For instance, when our SIM analysis highlights areas of concern, these issues are flagged for engagement once the stock is added to our portfolio. If we identify amber or red flags, we typically address the issue by writing to the company's board, provided the holding meets our minimum size criteria. These concerns may also influence our voting decisions at shareholder meetings.

Engagement is not just a reactive process – it is designed to drive meaningful change. The insights gained through engagement help improve our SIM analysis, reinforce investment conviction and contribute to better long-term outcomes. Our case studies on Service Corp International and Reckitt Benckiser are examples of this interaction.

## CASE STUDY: SERVICE CORP INTERNATIONAL

### THE ISSUE

At the end of 2023, we identified several governance concerns at Service Corp International, which we outlined in our post-proxy letter to the chair. These concerns included:

- Board independence issues, with long-tenured directors serving on key committees, collectively making up the majority of the board.
- Auditor tenure, as PwC had been the company's auditor since 1992.
- Weak performance incentives, with the long-term incentive plan (LTIP) allowing performance shares to vest even when relative total shareholder return (TSR) was as low as the 25th percentile of the S&P MidCap 400 Index. Further, performance shares represent a low proportion, around 30% of the LTIP.

### THE GOAL

Our objective was to strengthen corporate governance at the company by advocating for:

- Improved board and auditor independence.
- A more performance-oriented LTIP, with stricter performance conditions.

### WHAT WE DID

Following the post-proxy letter in late 2023, in which we explained our votes against several management proposals, we initiated an engagement process with the company. This included:

- Email correspondence with the investor relations team.
- Two engagement calls with the CFO ahead of the 2024 AGM.

### OUTCOMES

The company's leadership acknowledged the need for board refreshment, confirming that the nomination committee was already searching for replacements. We marked this as a milestone in our engagement process. They also indicated a willingness to review the remuneration structure, recognising our concerns about incentive alignment.

However, there was significant resistance to our request for auditor rotation. The CFO argued that a change in auditor could result in differences in accounting treatment, which might negatively impact the company's valuation. He explained that a potential reclassification of cash flow from operating to investing activities could materially affect financial statements.

In a follow-up call, the CFO clarified that auditor rotation had been considered every five years when PwC rotated its audit partners, a practice that is already required by the SEC. The company has repeatedly decided against audit firm rotation due to concerns a new auditor would force them to change their accounting treatment.

Following these discussions, we took the following actions:

- Downgraded the reporting and audit score in our SIM from amber to red.
- Adjusted the investment rating to 3 (hold) and reduced our portfolio positions.
- After further consideration of the risks, we decided to exit our position and remove the company from the buy list.

## CASE STUDY: RECKITT BENCKISER

### THE ISSUE

In 2024, Reckitt Benckiser faced significant operational and legal challenges, which had a material impact on its financial performance. An internal investigation uncovered that a small group of employees in two Middle Eastern markets had under-reported trade expenses, leading to a £55 million revenue shortfall. This raised concerns over accounting controls within the company.

At the same time, Reckitt suffered a major legal setback in the US related to its infant nutrition brand, Enfamil. A court ruling awarded $60 million in damages against the company[1], marking the first of potentially hundreds of lawsuits alleging that its milk formula increases the risk of necrotizing enterocolitis in premature babies, a potentially fatal condition. The lawsuit accused Reckitt, alongside Abbott, of failing to warn consumers of the risks.

While Reckitt's annual report acknowledged the litigation, it did not estimate potential costs. With 400 cases reportedly in federal court and others in state and district courts, the potential financial liabilities could be substantial. A rough estimate of $50 million per case suggests that total liabilities for Reckitt and Abbott combined could reach $20 billion.

### WHAT WE DID

In early March 2024, following a call with management, we found their explanation regarding accounting controls in the Middle East unconvincing. Given the company's poor track record in corporate culture, we were not satisfied with management's assurances that such issues were in the past. As a result, we downgraded the reporting and audit rating on our SIM from green to amber.

This downgrade led to an increase in the ESG 'penalty' within our weighted average cost of capital by 0.25%, which in turn reduced our fair value estimate of the share price from £64 to £58, and resulted in an investment rating downgrade from 2 to 3.

On 15 March 2024, following the infant nutrition litigation in the US, we maintained Reckitt's ESG rating but downgraded the investment rating from 3 to 4 (Sell). The scale of the lawsuits introduced significant financial risk and prolonged uncertainty, eroding confidence in the investment thesis, which had been based on a potential re-rating of the stock.

### OUTCOMES

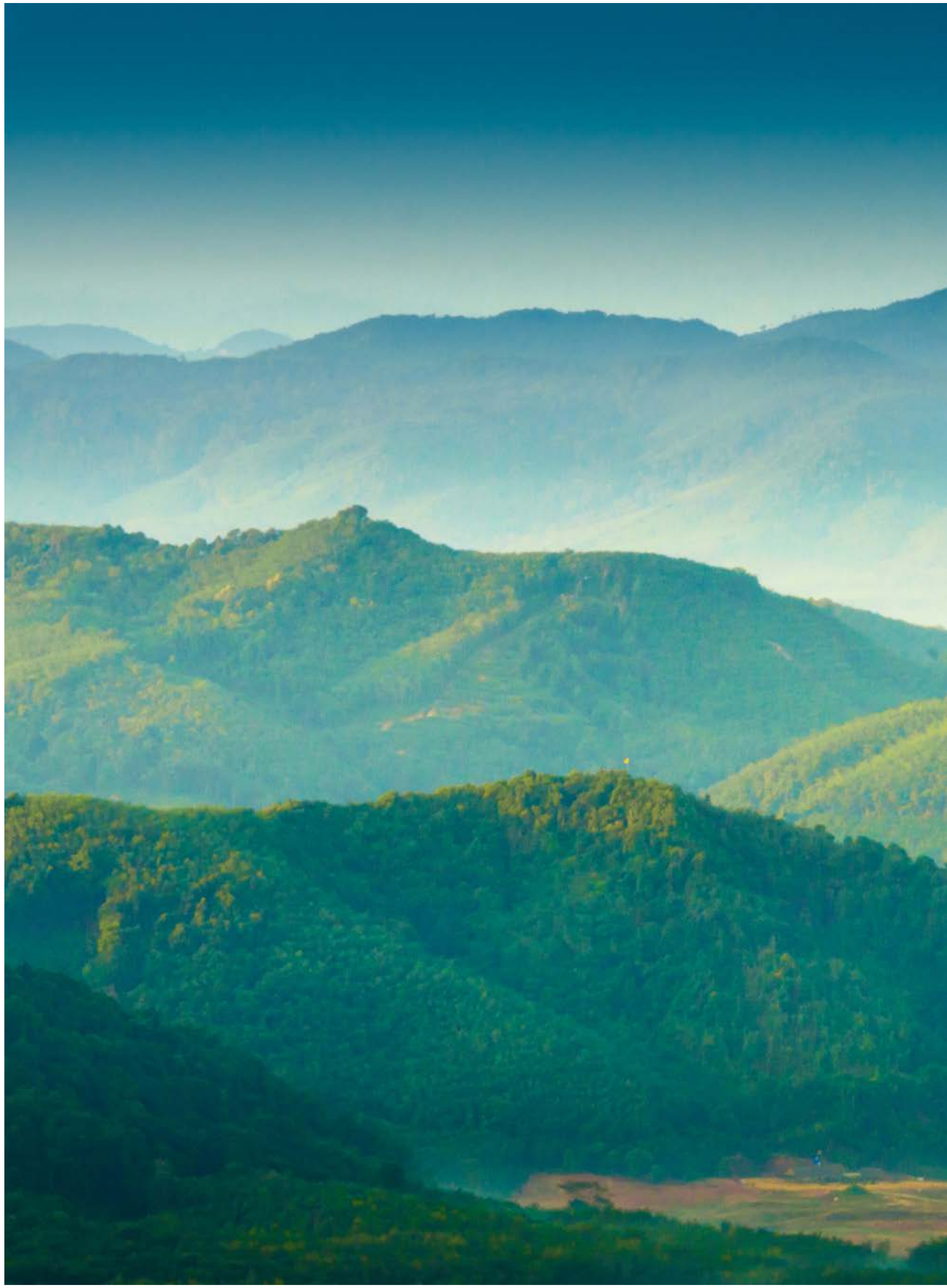
We reduced and eventually sold positions across several strategies. Reckitt's share price underperformed in 2024, declining 14% from 1 January to 31 December[2]

Further details of our engagement work can be found in **Principles 9 and 10**.

[1] Source: Bloomberg, 15.03.2024
[2] Source: Bloomberg, 13.03.2025







# PRINCIPLE 8

# MONITORING MANAGERS AND SERVICE PROVIDERS

**At Sarasin & Partners, we select our ESG and stewardship service providers through a competitive process. Our evaluation criteria include the robustness of their analytical methodology and its ability to support our ESG integration. We assess providers twice a year through a formal feedback process, alongside continuous monitoring.**

## RESEARCH PROVIDERS

Under MiFID II regulations, asset managers must assess their research providers to ensure alignment with their investment processes. At Sarasin & Partners, we apply the same rigorous qualitative and quantitative reviews to ESG services and data as we do to traditional investment research, recognising their vital role in our decision-making.

To support our ESG initiatives, we leverage multiple specialist providers, including MSCI ESG Research, ISS proxy analysis, HOLT, Diligent, S&P ESG Scores and Bloomberg ESG data. We also leverage a network of expert sources and services. As the landscape evolves, we increasingly prioritise financial analysts and brokers who integrate sophisticated ESG data and analysis into their offerings.

### CASE STUDY: EXPERT NETWORKING

In 2024, we strengthened our expert network service by integrating Alphasense alongside our existing provider Guidepoint. This combination of expert consultations and comprehensive library access has proven invaluable in supporting our investment decision-making process.

This service enables our team to bridge information gaps efficiently, whether through immediate expert insights or in-depth analyses that transform queries into actionable intelligence. Ultimately, this enhances our ability to deliver well-informed investment strategies, benefiting our clients through more robust and timely decision-making.

Both providers adhere to strict policies prohibiting advisers from consulting on matters related to their employers, sharing inside information or disclosing critical data. These safeguards give us confidence in the integrity, monitoring and regulatory oversight of the service.

## COMPREHENSIVE ASSESSMENT FRAMEWORK

We assess quality at the point of use, ensuring each service meets our standards. Every six months, we conduct department-wide surveys to assess the value each provider delivers. By combining survey results with detailed usage data, we make informed decisions about each provider's contributions.

When discrepancies arise between expectations and outcomes, we take active steps to address them, such as providing feedback on areas for improvement or, when necessary, terminating agreements. For example, in 2024, we ended agreements with three providers and adjusted service levels for others to ensure better alignment with our value assessments.

## ENGAGEMENT IN PRACTICE

A key example of our engagement in practice is our post-proxy season review with ISS. This review addresses outstanding issues with their custom proxy research and helps ensure the service aligns with our expectations.

By maintaining a disciplined approach to evaluating and engaging with research providers, we uphold our commitment to integrating ESG considerations into our investment process while adhering to regulatory standards.

## OVERSIGHT OF OUTSOURCED SERVICES

Sarasin & Partners takes full responsibility for all outsourced functions, implementing a rigorous approach oversight framework. We focus on contingency planning and business continuity, particularly mitigating risks such as reputational damage and service failures.

Our monitoring process includes:

- Verifying compliance with contractual obligations.
- Assessing business continuity and disaster recovery plans.
- Ensuring appropriate exit strategies are in place.

We conduct periodic reviews to ensure services consistently meet our required standards. In 2024, we revised our internal supplier engagement policy to better reflect our commitment to responsible business practices. Under the updated policy, all new key suppliers must undergo an initial ESG due diligence assessment, conducted by the internal relationship manager. This assessment evaluates adherence to principles such as anti-modern slavery measures, environmental responsibility, and diversity and inclusion.

Through these initiatives, we maintain the high service quality and risk management while upholding sustainable and ethical business practices.

## NETWORKS AND INITIATIVES

Further details on our involvement in third-party initiatives and industry-wide collaborations can be found under **Principle 4**. These partnerships may include formal memberships and signatory commitments that support our company and market wide-outreach. Examples include:

- The International Corporate Governance Network.
- The Institutional Investors Group on Climate Change.
- The Collective Impact Coalition for Ethical Artificial Intelligence of the World Benchmarking Alliance.
- Find It, Fix It, Prevent It.

Our stewardship team conducts an annual review to determine whether we will continue supporting these initiatives.

# PRINCIPLE 9
# ENGAGEMENT

**Our engagement work ensures continuous dialogue with the board and management of our investee companies. Through this we aim to address identified adverse societal or environmental impacts; tackle strategic challenges and governance failures; and safeguard and enhance our clients' capital.**

The failure of asset owners and managers to properly monitor and challenge executives is widely recognised as a structural weakness in capital markets. A passive approach to ownership can lead to:

- Misallocation of capital.
- Unaddressed externalities that harm stakeholders and the broader economy.
- Lack of accountability at the executive level.
- Short-termism at the expense of long-term value creation.

As outlined in **Principle 1**, our investment philosophy is grounded in an ownership mindset. We remain closely engaged with our investee companies not only to monitor long-term value drivers but also to effectively scrutinise and challenge management on performance.

See **Principle 12** for further details on our voting approach and use of proxy advisers.

## SRD II DISCLOSURE NOTE ONE

The Shareholder Rights Directive (SRD) II is a European Union directive, which aims to promote effective stewardship and long-term investment decision making. It imposes the transparency of engagement policies and investment strategies on institutional investors and asset managers. In the UK, SRD II requirements are embodied in the FCA Handbook under COBS 2.2B.

Under SRD II, Sarasin & Partners LLP is required to either a) publicly disclose an engagement policy and annually disclose how it has been implemented in a way that meets specific requirements or b) provide a clear and reasoned explanation of why we have chosen to not disclose.

Under this principle, we provide a summary of our engagement activities. Sarasin & Partners LLP's Engagement Policy is published on our website; available here. An explanation of how we have implemented our Engagement Policy in 2024 is covered in **Principle 12**.


## SARASIN'S OWNERSHIP DISCIPLINE

To ensure rigour, consistency and impact in our ownership work, we apply a structured *Ownership discipline*.

This framework outlines the steps we take as an active owner on behalf of our clients, from the point of investment through to monitoring, voting, engagement and escalation when necessary. Our process ensures we remain results-oriented and disciplined in our stewardship activities. It also defines clear criteria for cases where inadequate company action may ultimately lead to a sale of our position. Figure 9.1 (on the next page) shows an overview of the process.

### EARLY OWNERSHIP

After purchasing a material stake in a company, we initiate engagement by writing to the company's leadership – typically the chair or, where the chair is not independent, the lead independent director (LID). This introduction serves to:

- Outline our investment thesis.
- Identify key areas for engagement.
- Establish a foundation for ongoing dialogue.

We set a minimum threshold for engagement, ensuring we focus efforts where our clients have a material exposure.

### MONITORING AND VOTING

Our ongoing monitoring includes regular interactions through calls and face-to-face meetings with senior executives, the company chair or LID, and other non-executive and independent board members. We exercise our votes according to our Corporate governance and voting guidelines. However, if a strict application of our policy produces an unintended outcome, we will override it and document our rationale. By integrating voting into our broader engagement process, we ensure it serves as a meaningful tool for influencing governance decisions (see **Principle 12**).

### ADDRESSING PROBLEMS

When concerns arise, we take a measured approach:

- Conduct an initial investigation, gathering information from third-party sources and the company itself.
- If required, raise concerns with the board, often in the form of a letter.
- Determine whether escalation is necessary.

### ESCALATION

If an issue remains unresolved and we determine that our clients' interests are at risk, we will assess whether to escalate our engagement or exit our position. When escalation is required, we develop a structured engagement plan that defines the objective, outlines the steps to be taken and sets a timeline for progress.

There are several ways we may escalate our approach. We may seek to form a collective shareholder engagement to increase pressure on the company's board. Where concerns persist, we may exercise our voting rights against directors or auditors. In cases where management fails to

**Figure 9.1: Schematic of Sarasin's Ownership Discipline**

**EARLY OWNERSHIP**

- Identify engagement priorities – flow from ESG traffic lights (SIM) and 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

**MONITORING & VOTING**

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

**ESCALATION**

- Company engagement plan
- Coalition building
  - Jointly led by stewardship specialists and analysts
  - Written and in person
- Tactical voting and AGM action
  - Voting against directors, auditor, annual report
  - Pre-announcement
  - Shareholder resolutions
- Public outreach
- Complaints to regulator

**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

act on material issues, we may file shareholder resolutions to bring concerns to a wider audience at the company's annual general meeting.

Public outreach is another tool we use, ensuring key stakeholders are aware of governance or sustainability failures that may impact long-term value. If necessary, we may also lodge formal complaints with regulators, highlighting issues that could have wider market implications. In extreme cases, we may consider litigation as a means of holding companies to account.

Before proceeding with any escalation, we ensure that all the necessary internal communication, governance reviews and legal checks are in place. (See **Principle 11** for more details and examples of this approach.)

## IMPACT

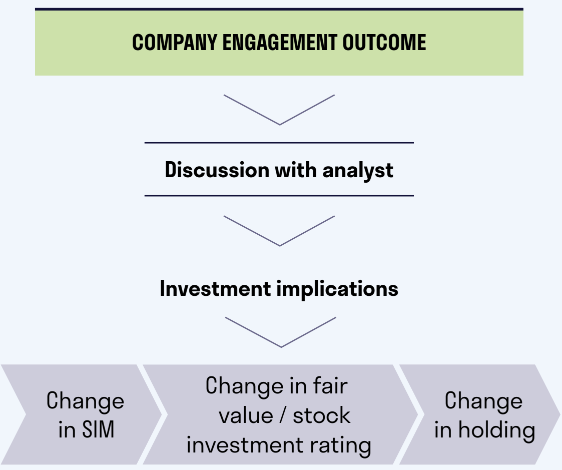
We track the progress and outcomes of our engagements in two key areas.

**Company impact.** The first measure of success is whether an engagement has resulted in a meaningful behavioural change within the targeted company. When we see a moderate step forward, such as a commitment to address the issue, we classify this as a 'milestone'. If an interim target is met, we record it as an 'impact'. Where the engagement achieves its full objective, it is marked as 'goal achieved'. These definitions are outlined in more detail in **Principle 5**.

**Investment implications.** Beyond company-level change, we assess whether engagement outcomes or other insights gained have implications for our investment thesis and holdings. When an engagement goal is met, this is typically reflected in an upgrade in the relevant SIM measure (see **Principle 7**), prompting a review of key valuation assumptions. If this leads to a change in the stock's investment rating (strong buy, buy, hold or sell), it will influence buy and sell decisions within individual investment strategies (see figure 9.2 for more detail).

All actions, milestones and impacts are recorded in our internal engagement tracker. The progress of active engagements is discussed with analysts and portfolio managers, and forms part of our regular meetings with analysts and portfolio managers.

**Figure 9.2: Investment implications of engagements**




## SELL DISCIPLINE

In some cases, challenges in an engagement will lead us to sell our investment. While we are committed to fulfilling our clients' ownership responsibilities, we also recognise the limits of our influence, whether acting alone or as part of a broader investor coalition. There will inevitably be situations where our ability to drive meaningful change is constrained, or where we fail to achieve the intended objective.

Even when an engagement is progressing well, we may still decide to sell if new information emerges that alters our investment case or if the share price rises to an unsustainable level.

The long-term nature of engagements must always be balanced with the need to take swift and decisive sale decisions when circumstances change. The portfolio manager retains the final decision on whether to sell, ensuring that it is made with a full understanding of ongoing dialogue and expectations for progress. The rationale for any sale is documented in the final sell instruction.

## LIMITATIONS IN CERTAIN MARKETS AND COMPANIES

Our ability to exercise ownership responsibilities varies across jurisdictions due to differences in legal frameworks, corporate culture and market practices. We cannot always expect the same level of access or influence over company leadership in every region where we invest. This is one reason why our exposure to emerging markets has remained relatively low.

Another challenge is diffuse ownership, where our clients' holdings represent only a small percentage of a company's total issued share capital. In cases where board access is reserved for only the largest shareholders, our ability to engage directly with leadership may be constrained.

## PRIORITISATION OF ENGAGEMENTS

Engagement is resource-intensive, requiring us to focus on the cases that are the most urgent and impactful. We prioritise engagements based on several key factors:

- **Size of our holdings.** This considers both equity and debt exposure (our approach to fixed income is discussed later in this principle).
- **Severity of the adverse impacts.** We assess the significance of the impact the company has on environmental, social or governance factors, in terms of the harm caused.
- **Materiality of ESG concerns.** We assess the potential financial consequences of the ESG adverse impacts for the company, and thus its future outlook and earnings.
- **Ripple effect potential.** We evaluate our ability to drive meaningful change, such that our engagement is able to catalyse a change in broader market behaviour.Our long-term stewardship mindset underpins all engagements, ensuring we maximise our impact and encourage companies to operate in alignment with a sustainable society, rather than at its expense.

In some instances, we engage with companies we do not hold, particularly when there is an opportunity to catalyse broader change. Our ongoing engagement with Shell is an example of this approach, forming part of our market-wide efforts outlined in **Principle 4**.

In line with our current stewardship initiatives detailed in **Principle 1**, our primary focus areas in 2024 included:

- Climate risk management and transition to net zero, with an emphasis on enhancing financial statement disclosures.
- Social issues across value chains, such as diversity and inclusion, labour rights and human rights.
- Responsible tech, particularly ethical AI.
- Company-specific governance governance concerns, including accounting and audit.

Notable company engagements in 2024 were:

**Climate:** Equinor, ING, HSBC, Rio Tinto, Air Liquide, JP Morgan Chase, Prudential, Prologis.

**Social:** Amazon, Compass Group, Thermo Fisher, Unilever.

**Responsible Tech:** Meta, Alphabet, Amazon, ServiceNow

**Governance:** Amgen, US Solar, Gresham House Energy Storage Fund, CME Group, Walt Disney, DS Smith, Service Corp, LVMH, Fortinet, Mercado Libre, Samsonite, Siemens, TSMC, Unitedhealth Group.

## RESOURCES

Implementing our ownership discipline is a shared responsibility across our asset management team. While our stewardship team leads engagements, they work closely with the relevant analyst to ensure a well-informed approach. Our integrated model brings together diverse expertise, ensuring that engagements are conducted holistically and with the greatest potential for success.

## PROCESS

We engage with companies through one-to-one meetings or calls, group discussion and email inquiries. A combination of direct interaction and written engagement allows us to establish stronger relationships with companies while ensuring that our concerns receive tailored responses.

## REPORTING

As outlined in **Principle 6**, we provide quarterly reports on our ownership activities, ensuring transparency for our clients. Where relevant, we also share updates on our website. Our reports highlight examples of our most impactful stewardship activities, offering insights into key engagements and outcomes. Using our engagement tracker and the engagement reporting tool, we compile summary statistics on our engagements and their results at a portfolio level.

Statistics for 2024 are presented on pages 69-70, followed by case studies illustrating our engagement impact.

## CASE STUDY: POST-PROXY LETTERS

Post-proxy letters are a key part of the engagement cycle, ensuring that companies understand the concerns that influenced our voting decisions. These letters serve as a regular touchpoint for discussions on how companies can take meaningful actions to improve their performance.

| Global Equity Buy List | 50 post-proxy letters sent | 18 responses received | Follow up |
|---|---|---|---|
| Our Watchlists: Climate, D&I, Human and Labour Rights, Circularity, Accounting and Audit, Governance, Ethical AI<br><br>Holdings >£25m (£10m for Climate, £100m or 1% of market capitalisation for Governance)<br><br>AGM Vote Against management | • Explained our 2024 AGM votes against management<br>• Some listed further concerns as identified in the company's SIM | • Most provided explanations for their actions, with references to relevant publications<br>• Some outlined future actions they planned to take<br>• Nine offered meetings | • We aim to follow up on most of our post-proxy letters ahead of the 2025 voting season |

Source: Sarasin & Partners. Data as of 15 February 2025



## A SUMMARY OF OUR 2024 ENGAGEMENT ACTIVITY

Our engagement activities are tracked as goal-linked activities (GLAs), where each GLA represents a single interaction with a company on a specific goal. If an engagement covers multiple goals, interaction on each goal is recorded as a separate GLA. This approach ensures we maintain an accurate and detailed record of our focused engagements.

In 2024, we had **568** goal-linked activities with **106** companies on **23** goals.

**Figure 9.3: Breakdown of GLAs by initiatives (%)**

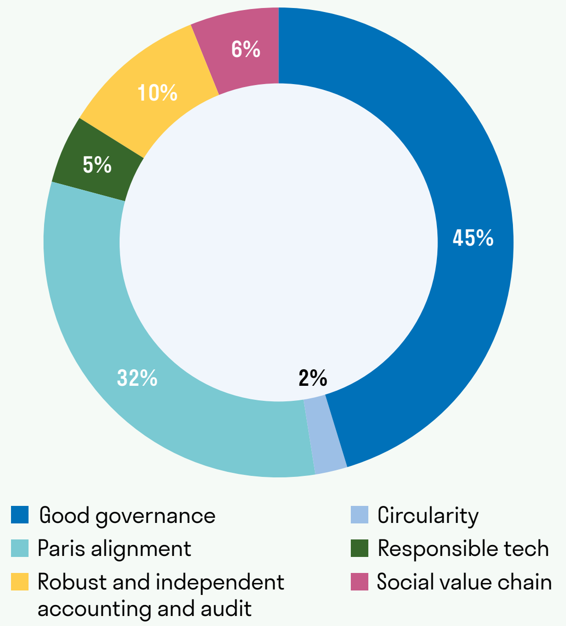



**Figure 9.4: Breakdown of GLAs by SIM (ESG) pillars (%)**

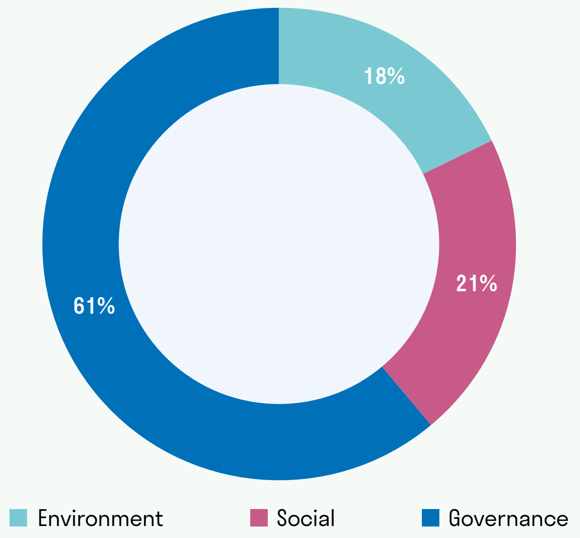



**Figure 9.5: Breakdown of GLAs by activity type (%)**

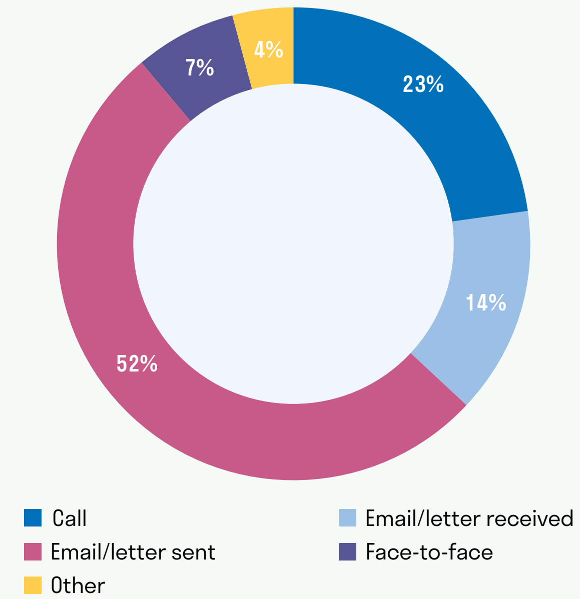


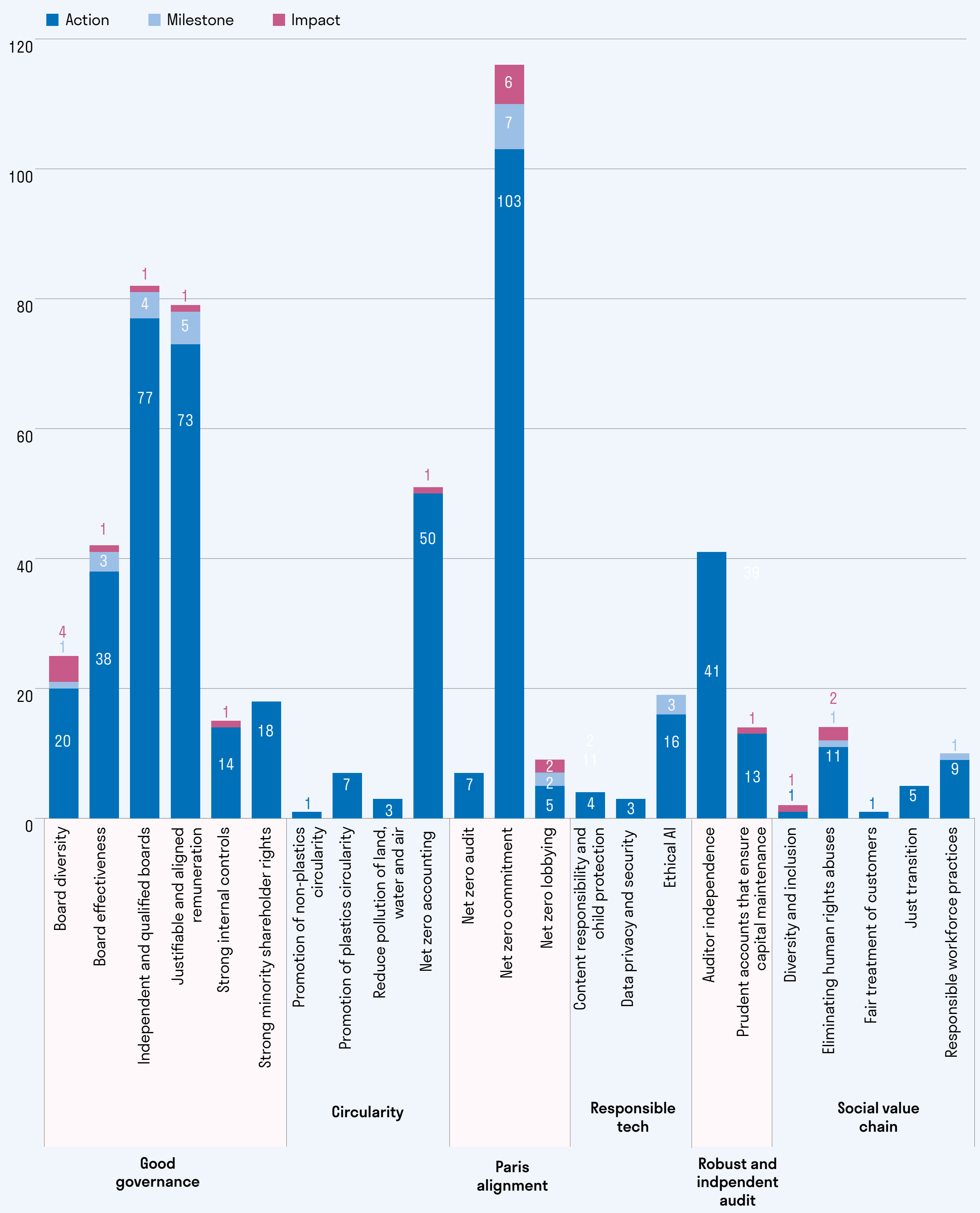

**Figure 9.6: Outcomes of summary**

| OUTCOME TYPES | GOALS | COMPANIES | ENGAGEMENTS | GLAS |
|---|---|---|---|---|
| Action | 23 | 104 | 340 | 91% |
| Milestone | 9 | 19 | 25 | 5% |
| Impact | 11 | 14 | 19 | 4% |
| **Grand total** | **23** | **106** | **350** | **100%** |

Note: 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.

Source: Sarasin & Partners.

**Figure 9.7: Breakdown of GLAs by goal and outcome**




Source: Sarasin & Partners.



## EQUITY ENGAGEMENT

### CLIMATE CHANGE CASE STUDIES

As outlined in our Net zero asset managers (NZAM) action plan, we prioritise real-world emissions reductions within the sectors and companies in which we invest, rather than focusing solely on removing high-emission assets from portfolios through divestment.

We do not believe that a singular divestment approach aligns with the Paris Agreement goals because investors have a critical role in driving change within carbon-intensive companies. However, for engagement to be effective, it must be purposeful and persistent. To provide transparency and accountability, we ensure that clients have sufficient visibility of our engagement efforts and their impact, demonstrating our commitment to driving meaningful change.

As part of our 'Paris alignment' engagement initiative, we engaged with **87 investee entities** in 2024, conducting **183 goal-linked activities** across equity, fixed income and alternatives.

The Air Liquide case study is an example of an equity engagement where we have had a measurable impact. Later in this section, we provide a broader overview of our climate-related engagements and their outcomes.

**Figure 9.8: Engagement activities on the priority initiative 'Paris alignment' per goal**

| | Net-zero commitment | Net-zero accounting | Net-zero audit | Net-zero lobbying |
|---|---|---|---|---|
| Action | 103 | 50 | 7 | 5 |
| Milestone | 7 | 0 | 0 | 2 |
| Impact | 6 | 1 | 0 | 2 |
| **Total** | **116** | **51** | **7** | **9** |

Source: Sarasin & Partners.

## CASE STUDY: AIR LIQUIDE

### THE ISSUE

A global industrial gases business, Air Liquide has one of the highest carbon footprints among our holdings. This is due to carbon emissions from hydrogen gas production and the high energy consumption of its air separation units. Additionally, many of Air Liquide's customers operate in carbon-intensive industries, including chemicals, metals, refining and energy.

Given its significant carbon footprint, Air Liquide has a critical role in helping the world transition to net-zero emissions. Following engagement by Sarasin and other investors since early 2019, Air Liquide incorporated 1.5°C alignment into its core strategy in 2022. Supported by science-based targets, the company has committed to shift towards green hydrogen and carbon capture and sequestration, positioning itself for long-term success in a decarbonising global economy. We still saw a need for clearer strategic pathway towards decarbonisation and better disclosure of financial impacts.

### THE GOALS

Since initiating our engagement in 2019, we have seen substantial progress, allowing us to refine our focus over time. In 2024, our engagement priorities for Air Liquide centred on both climate and governance matters, with a particular emphasis on:

## CASE STUDY: AIR LIQUIDE (CONTINUED)

- Strengthening scope 3 emissions commitments.
- Increasing discloses on capital expenditure plans and their alignment with climate goals.
- Enhancing physical risk mapping and mitigation strategies.
- Improving financial statement disclosures, particularly around the integration of physical climate risks and sensitivity analyses.
- Aligning executive incentives with a 1.5°C pathway through the adoption of a net-zero performance underpin.
- Publishing an annual lobbying review to demonstrate alignment with 1.5°C commitments.

### WHAT WE DID

In 2024, our engagement with Air Liquide primarily involved bilateral discussions, as we viewed the company as constructively engaged and making progress. Following our December 2023 letter to the executive chair, outlining our voting rationale and key areas of concern, we held further discussions with the investor relations team and head of sustainability.

For a second consecutive year, we abstained on the financial statements and statutory report due to:

1. Lack of visibility on physical risk considerations and their implications for key assets, including potential risks of write-downs or shorter asset lives.
2. Insufficient disclosure on the sensitivity of Air Liquide's financial position under a 1.5°C or hotter world scenario.

Additionally, we voted against the remuneration policy again, citing concerns over the insufficient weighting of climate-related performance metrics.

In December 2024, we wrote again to the executive chair to explain our voting decisions and outline the key steps we would support the board in taking.

### OUTCOMES

In 2024, the following advances were made:

- Commitment. Air Liquide published its first Climate Transition Plan, reaffirming its alignment with Paris Agreement goals and outlining specific actions and progress achieved.
- Lobbying. In March 2024, the company announced it would exit the US American Fuel & Petrochemicals Manufacturers (AFPM) due to misaligned climate lobbying, demonstrating a rare willingness to distance itself from anti-climate advocacy.
- Remuneration. Air Liquide increased the climate weighting in its senior executive's Performance Share Plan from 15% to 20%.

### NEXT STEPS

Following the election of President Trump in the US, a key market for Air Liquide, the board will need to assess how it can deliver on its green hydrogen and carbon capture objectives in alignment with its climate transition plan. We will continue to support the board's efforts through our bilateral engagements, voting actions and, where appropriate, collaborations with other investors.





## SELECTION OF CLIMATE ENGAGEMENTS FROM 2024

| COMPANY | ENGAGEMENT GOAL AND LATEST ACTION | OUTCOMES, CURRENT STATUS AND NEXT STEPS |
|---|---|---|
| **Prudential** | **Goal:** Climate risk mitigation to underpin capital resilience – notably physical risks to insurance business.<br>**Actions:** Following post-proxy letter to chair, held a call with executive covering key areas of concern; joined collective 'Say on Climate' letter coordinated by LAPFF and CCLA. | **Status:** Prudential has a net zero commitment but lacks SBTi targets; no forward-looking climate stress test reflecting plausible but severe scenarios; no mention of how climate risks are considered in financials.<br>**Milestone:** Prudential considering whether to include a resolution on transition plan at 2026 AGM.<br>**Next steps:** Sold from portfolios early 2025. |
| **Rio Tinto** | **Goal:** Extend net zero commitment to cover scope 3 emissions; enhance financial disclosures; net zero lobbying commitment; net zero underpin in remuneration policy.<br>**Action**: Following engagements with audit committee chair (2023) and board chair (2024), pre-declared AGM votes (2023 and 2024), held calls with sustainability and climate leads and sent post-proxy letter to chair. | **Milestone:** Lobbying alignment – revelation that company lobbied against more progressive climate requirements in Australia; statement that it would now support the strengthened policies. ACCR key catalyst.<br>**Status:** Rio has best-in-class net zero commitments for the mining sector and has increased its focus on scope 3. Its financial disclosures are market-leading following engagement but gaps remain.<br>**Next steps:** Letter to audit committee following release of Annual Report 2024. AGM action. |
| **HSBC (credit)** | **Goal:** Greater clarity on aligning financing with targets; enhanced disclosure on financial consequences of climate risks; and commitment to lobby in line with 1.5°C pathway.<br>**Action:** Following call with HSBC's audit committee chair and chief accountant in Q3, we held a call with PWC (lead audit partner). | **Status:** HSBC has net zero ambition, eight sector-specific 2030 targets and a detailed energy policy. Its transition plan was published in Q1 2024. Little disclosure of climate materiality in financials or capital adequacy statements.<br>**Milestone:** HSBC stated that it had commissioned work from Moody's to assess whether market consensus numbers adequately incorporate climate risks in expected credit loss assumptions.<br>**Next steps:** Collective letter to audit committee chair on expectations for 2025 financial statements. |

### SOCIAL VALUE CHAIN CASE STUDY

Addressing human rights risks is not only a moral obligation but also a critical factor in investment risk management. Companies with human rights abuses within their operations or supply chains face significant financial and operational risks. Potential fines, legal action and the need to replace artificially cheap labour can lead to higher costs. Reputational damage can further impact revenues through contract losses, customer boycotts and declining sales.

In 2024, we launched targeted engagements with companies in high-risk sectors, encouraging them to take meaningful steps towards best practices in labour and human rights. Over the year, we engaged with **16 companies** through **32 goal-linked activities.**

The promotion of diversity and inclusion remains central to our stewardship approach. For years, we have incorporated board-level gender and ethnic diversity into our voting guidelines. Boards that fail to meet these guidelines raise concerns about groupthink and the risk that appointments are not truly merit-based. Beyond board composition, we also advocate for greater diversity at senior management levels and across the wider workforce, with pay equity as a particular focus.

In 2024, we engaged with **17 companies on board diversity** and **2 companies on broader diversity and inclusion** efforts.

## CASE STUDY: AMAZON

### THE ISSUE

We have ongoing concerns about human rights and workforce practices at Amazon, particularly regarding working conditions at its fulfilment centres, the lack of comprehensive global reporting on health and safety indicators, and reported limitations on freedom of association and collective bargaining.

In the US, multiple government agencies, including the Occupational Safety and Health Administration (OSHA), the Department of Justice, and the Senate Committee on Health, Education, Labour and Pensions, have launched investigations into health and safety practices at Amazon facilities.

While Amazon provides detailed disclosure on workplace health and safety in the US, similar transparency is lacking for other countries. Concerns persist about underreporting of injuries and reports that workers have been pressured to return to work despite pain or injury. In 2023, strike activity at several European locations further highlighted worker dissatisfaction over conditions.

Although Amazon appears to have constructive relationships with some European trade unions, such as in Italy, there have been allegations in the US and the UK that the company creates obstacles to unionisation.

Shareholder proposals in 2023 and 2024 called for greater transparency on working conditions and freedom of association through independent audits. We supported these proposals, believing that third-party assessments would provide valuable insights into these issues.

### THE GOALS

While we acknowledged improvements in US health and safety indicators, we sought:

- Greater transparency on global safety performance, including a global safety report equivalent to one published in the US.
- A commitment to independent audits assessing the physical and mental health impacts on workers.
- Assurances on freedom of association, with discussions on improving worker communication, pay and benefits.

### WHAT WE DID

We contacted the Chair of the Nominating and Corporate Governance Committee, outlining our concerns and proposing a discussion. In March 2024, we held a meeting with Amazon's ESG team, including representatives from investor relations and a corporate labour and employee relations lawyer.

As a follow-up, we requested more details on workforce safety disclosures and employee communication efforts, as well as an on-site visit. In June 2024, we visited Amazon's largest European fulfilment centre, located near London.

### OUTCOMES

During our meeting with Amazon's ESG communications team, we received some assurances about the company's efforts to maintain strong health and safety performance. However, we continued to push for more comprehensive disclosures and independent assessments.

On unionisation, Amazon stated that employee support for unionisation at four sites was low (less than 0.04% of the workforce), although disputes over election results remain unresolved. The company emphasised its focus on offering opportunities for employees to engage with management and provide feedback.

During our site visit to the London-area fulfilment centre, we observed the following aspects of Amazon's labour practices:

#### Working conditions

- High levels of automation and computerisation, minimising manual labour and optimising workflows.
- Task rotation to reduce health risks associated with repetitive work.
- Abundant safety instructions, precautionary measures and tools provided for workers.
- Professional training programmes, including mandatory cross-training, with clear career progression opportunities to management roles.
- Wages above the National Living Wage in the UK, along with flexible working hours, particularly for working mothers.

#### Employee communication

- Multiple communication channels, including the Voice of Associate, Connections employee programme, Dragonfly, Ethics Hotline, Associates Roundtable and Forums.
- Human Resources department positioned in a glass cubicle near work areas to encourage easy interaction with employees.
- Regular employee satisfaction surveys, with results linked to management incentives.

We marked this engagement as a milestone in improving work practices. Meanwhile, a union representation vote took place at Amazon's Coventry facility in the UK, which the union lost. While disputes over the election results persist, they are unlikely to change the outcome.

### NEXT STEPS

We will continue monitoring Amazon's progress, particularly by tracking indirect signs of employee unrest beyond unionisation issues. We will persist in urging Amazon to conduct independent audits of workplace conditions, and provide granular data on grievances, health and safety, and staff turnover.

Additionally, we will participate in stakeholder groups to gain further insights into key concerns and continue engaging with the company as issues arise.





## CASE STUDY: THERMO FISHER

### THE ISSUE

We raised concerns over allegations that Thermo Fisher's DNA collections kits were being used for mass biometric data collection and surveillance in Tibet, potentially enabling human rights violations against Tibetans.

Reports indicated that Chinese authorities have conducted mandatory and arbitrary DNA collection throughout the Tibet Autonomous Region (TAR) as part of a broader repressive campaign. There were allegations that Thermo Fisher's products had been used in this process.

While the company had previously issued a statement confirming that it does not sell products to entities in Xinjiang, there was no disclosure regarding sales to Tibet.

### THE GOAL

Our objective was to ensure that Thermo Fisher followed best practices in monitoring product sales and preventing their use in actual or potential human rights violations.

### WHAT WE DID

We reached out to the chairman, president and CEO, requesting a discussion on our concerns. In December 2023, we held a call with the vice president and corporate secretary as well as the senior director of investor relations, where we raised our concerns about:

- The potential misuse of Thermo Fisher's products in Tibet
- The company's human rights due diligence process

Following up in January 2024, we received a notification from the company indicating the release of a new statement on Tibet.

### OUTCOMES

During our engagement, we were pleased to learn that Thermo Fisher was already aware of the issue and had initiated an internal committee review to prevent the misuse of its technology products. In January 2024, the company publicly confirmed that it had ceased sales of human identification products in Tibet (TAR).

This development led to an upgrade in our SIM assessment of Thermo Fisher, resulting in an increase in its fair value assessment.

### NEXT STEPS

We will continue to monitor Thermo Fisher's approach to human rights due diligence, ensuring it maintains strong oversight of how its products are used globally.

## GOVERNANCE CASE STUDIES

Governance remains a key area of scrutiny for us. Effective boards require the right skill sets, strong structures (including audit, remuneration and nomination committees), and a governance mindset that fosters diversity of thought, independence and a willingness to challenge.

Our engagement on governance issues extends beyond board structure and auditor independence to encompass broader indicators of good governance, such as corporate strategy, capital discipline and operational behaviour.

Ultimately, the board of directors must provide effective oversight of management on behalf of investors to ensure the company's long-term success. As emphasised in this report, we expect boards to ensure that business success is achieved in alignment with societal interests, rather than at their expense. Strong governance is essential for the responsible management of environmental and social impacts.

In 2024, we engaged with **75 companies on governance,** addressing issues including board independence and skills, executive remuneration, auditor independence and internal controls.

We engaged with **19 companies specifically about board effectiveness**, where concerns were tied to corporate strategy. These engagements were triggered by weak performance, frequent and unexpectedly large acquisitions, and investor communication, all of which contributed to worsening market sentiment.

One key area of focus is board independence and refreshment, as well as ensuring shareholders can vote on each director at every AGM. We believe staggered boards limit shareholder accountability. Our LVMH case study provides an example of our work in this area.

Additionally, we prioritise aligning executive remuneration with shareholder interests. Our engagement with Amgen highlights our perspective on executive pay structures and their impact on governance.

## CASE STUDY: GRESHAM HOUSE ENERGY STORAGE FUND

### THE ISSUE

The UK government has committed to decarbonising its power supply by 2030, with the National Energy System Operator (NESO) publishing its action plan to get to net zero power action plan in December 2024.

A key component of this transition is battery storage, which must expand four- to five-fold to support intermittent renewable energy sources. Batteries enable surplus energy storage during times of excess generation and release power during shortages, reducing reliance on carbon-intensive gas and smoothing electricity supply.

Sarasin invested in Gresham House Energy Storage Fund (GRID) in 2019, recognising its strategic importance as the largest player in the market, accounting for 20% of UK battery storage capacity as of June 2024.

Despite these clear investment drivers, GRID's performance deteriorated sharply from 2023, with its share price falling over 70% by the end of 2024. Two key factors contributed to this decline:

1. Regulatory inaction, as promised reforms to promote battery storage were not implemented (covered in Principle 4).
2. Governance weaknesses, which are the focus of this case study.

### THE GOALS

Our engagement with GRID prioritised four key governance areas:

1. Board effectiveness. Strengthening expertise in battery storage to improve decision-making.
2. Dividend policy. Adopting a more prudent dividend policy to ensure capital is available for growth, debt repayment and resilience amid market uncertainty.
3. Internal controls. Ensuring more conservative third-party forecasts of net asset value (NAV), which directly impact management fees and incentives. We also advocated for the appointment of a chief finance officer.
4. Remuneration. Aligning management fees with shareholder value, shifting from NAV-based fees (which has been consistently overstated) to a model incorporating share price performance.

### WHAT WE DID

As governance concerns grew amid challenging market conditions, we enhanced our engagement with GRID's board throughout 2024. Key actions include:

- Regular dialogue with the executive team to advocate for prudent capital management, realistic NAV estimates and transparent market communication.
- Meeting with the chair in February 2024, followed by an October letter to the board outlining our expectations.
- Meeting with the chair and a non-executive director in November to discuss our governance priorities.
- December follow-up with the chair, reiterating our expectations. The chair responded with a letter detailing steps taken and further governance enhancements planned for 2025.

### OUTCOMES

Key governance improvements in 2024 included:

- Dividend policy. At its November Capital Markets Day, GRID announced a shift in its dividend policy, linking payments to performance and moving the largest portion of payments to year-end. While this is an improvement, we believe the board should go further to prioritise growth investment and risk mitigation, given the ongoing regulatory uncertainty, interest rate volatility and project delivery risks.
- Strengthened internal controls. GRID appointed a second independent forecaster, which we consider more conservative and reliable in NAV estimation.
- Fee structure reform. The board expressed willingness to incorporate share price performance into management fee calculations, improving alignment with shareholder value.

### NEXT STEPS

We will continue our dialogue with GRID's board in 2025 and assess progress ahead of the AGM. If necessary, we will determine an appropriate voting strategy and consider collective engagement should improvements stall.





## CASE STUDY: LVMH

### THE ISSUE

We have several governance concerns at LVMH, primarily related to its family-controlled structure. The company has a combined chair and CEO with no lead independent director, raising concerns about board independence and oversight. Among the 13 directors appointed by shareholders, only six are independent, one appears to be overboarded. LVMH also operates a staggered board, with only four of 13 directors up for election in 2024, limiting shareholder influence. The CEO's remuneration structure lacks sufficient transparency and does not appear to effectively encourage strong long-term financial performance.

Additionally, we oppose the dual-class voting rights structure, which, while designed to promote long-term shareholding, further entrenches family control. Despite holding 48.6% of the economic interest, the founding family controls 64.33% of the voting rights due to loyalty shares.

There are also concerns about the adequacy of disclosure on related party transactions (RPTs). The lack of transparency makes it difficult for investors to properly analyse these transactions and approve the auditor's special report on RPTs at the AGM.

### THE GOAL

Our objective was to press for governance improvements and build up a constructive dialogue with LVMH on these issues over time.

### WHAT WE DID

At the end of 2023, we sent a post-proxy letter to the CEO–Chair of LVMH but did not receive a response. In September 2024, we followed up with another letter, this time copying the chair of the board's compensation committee and the chair of the sustainability and governance committee.

In this letter, we requested an engagement call to discuss our concerns. In November 2024, we held a call with the head of investor relations, during which we articulated our governance concerns and expectations.

### OUTCOMES

During our engagement, LVMH provided a detailed rationale for the lack of transparency around certain management performance indicators, citing the unique nature of the luxury goods industry.

On the staggered board, company representatives acknowledged our concerns and agreed to bring the matter to the board for further consideration.

Additionally, LVMH acknowledged the need for better board rotation and independence. Three new directors were appointed in 2024, which will improve board independence. However, the company maintained the presence of long-tenured directors deliberately, as they believe that their sector-specific expertise is valuable in managing a luxury business.

### NEXT STEPS

We recognise the challenges of reshaping governance structures at a family-controlled company like LVMH. However, we believe that stronger governance practices could ultimately enhance shareholder value. We will continue to press for governance improvements through pro-active voting and further discussions with the board.

## CASE STUDY: AMGEN

### THE ISSUE

We had several governance concerns, particularly regarding board tenure, auditor independence and executive remuneration. One director had served for an extended period, raising questions about board refreshment and independence. Additionally, Ernst & Young (E&Y) had been Amgen's external auditor since 1980, which we believed compromised independent oversight of the company's financial statements.

We also identified issues with Amgen's Long-term Incentive Plan (LTIP). The threshold for the LTIP modifier, based on relative three-year total shareholder return (TSR), was set too low, making it ineffective in cases of weak performance. Only half of the LTIP was performance-based, reducing the alignment between pay and shareholder outcomes. Furthermore, the earnings per share and return on invested capital metrics were non-GAAP-based, raising concerns about inconsistencies in performance measurement.

### THE GOALS

Our engagement focused on key governance improvements:

- Ensuring long-tenured directors rotate periodically, while maintaining a balanced skill mix.
- Advocating for auditor rotation to strengthen independent oversight of financial statements.
- Improving executive pay structures by ensuring variable incentives are tied to well-defined and measurable performance metrics.

### WHAT WE DID

- Sent a post-proxy letter to Amgen at the end of 2024, outlining our votes against management proposals on director elections, auditor appointment and executive compensation at the 2024 AGM.
- Engaged with Amgen in early discussions ahead of their 2025 proxy statement.
- Held a call with the assistant company secretary and other managers to discuss board tenure, auditor independence and executive remuneration.

### OUTCOMES

The company reassured us that the board recognised the importance of regular refreshment but argued that longer tenures could be beneficial in a complex business like Amgen.

They made a compelling case for one of the directors' continued tenure, citing his expertise in cancer genetics and his ability to asses investment decisions in emerging technologies. Given this rationale, we indicated openness to flexibility on director tenure. We marked this engagement as a milestone toward achieving one of our governance goals.

On auditor tenure, the company provided a typical response, stating their satisfaction with E&Y's independence. We reiterated that the auditor's primary responsibility is to shareholders, not management, and they agreed to raise the issue with the board.

Regarding CEO remuneration, we discussed recommendations for adjusting the LTIP structure and performance metrics. We highlighted concerns about the low TSR modifier, while Amgen pointed out that using the S&P 500 as a benchmark partially addressed this issue. Additionally, we commended the inclusion of ROIC as one of the LTIP performance measures.

As a result of increased confidence in the company's governance practices, we made a small upgrade in the SIM.

## FIXED INCOME ENGAGEMENT

Just as we engage as equity holders, maintaining a dialogue with debt issuers is essential for communicating concerns and driving improvements in ESG performance. Through our engagement, we aim to reduce credit risk while also contributing to positive social and environmental outcomes.

Implementing our ownership discipline in fixed income securities differs from equities in one key respect: creditors do not have voting rights at company meetings or the ability to convene meetings. However, they can exert influence in other meaningful ways. Key leverage points for creditors include:

- Before new issuance – when the terms of the security trust and intercreditor deed are set.
- Bondholder votes on corporate actions – providing an opportunity to influence decisions (see Principle 12 for more details).

We also engage outside these formal leverage points and frequently undertake joint engagements with our equity team when we hold shares and debt in the same issuer and have concerns.

Beyond voting-related influence, we apply other elements of our ownership discipline, including collective engagements with peers on shared concerns.

In 2024, we conducted **20 engagement activities with bond issuers**, focusing primarily on the banking and real estate/housing association (HA) sectors. These engagements aligned with our key thematic priorities: climate change, social value chain and governance. Examples of these engagements are outlined in the table on page 80.





## CASE STUDY: EDF ENERGY

### THE ISSUE

EDF is a key issuer in our fixed income universe and has a lower exposure to carbon emissions risk than its peers. However, we have concerns regarding:

- Biodiversity and water usage, particularly around water withdrawals and discharges from EDF's operations.
- Physical risk exposure of its nuclear fleet, which could be impacted by extreme weather events as climate change progresses.

While EDF has acknowledged these risks, the level of transparency on these issues remains insufficient, and further engagement is needed.

### THE GOALS

Through our engagement with EDF, we aim to:

- Improve disclosure on water extraction and how the company assesses long-term water-related risks.
- Strengthen climate risk transparency, particularly regarding the impact of extreme weather events on production capacity.
- Monitor progress against carbon reduction targets in alignment with EDF's net zero strategy.

### WHAT WE DID

- Held a meeting with investor relations, raising concerns about disclosure quality and seeking more information about how EDF manages water-related risks.
- Followed up with written correspondence to clarify specific questions about EDF's approach to water withdrawals, discharges and the impact of extreme weather events on production.

### OUTCOMES

- EDF disclosed that French nuclear production losses due to water shortages have historically remained below 1% of annual production, except in 2003 when extreme heatwaves led to higher losses. The company projects these losses could rise to 1.5% by 2050, although details on the underlying assumptions remain unclear.
- EDF acknowledged that the frequency of heat waves exceeding 10 days is expected to increase, raising risks of production loss. However, the visibility on these risks remains limited, and we have asked EDF for further clarity.
- Potential water shortages and reduced river flow remain a key concern, alongside the 28°C regulatory limit on water discharges, which could restrict operations. While EDF has previously received temporary allowances to discharge water at higher temperatures for network safety, increased focus on biodiversity could reduce this flexibility.
- EDF has committed to reducing industrial water use by 10% by 2030, but this excludes water needed for nuclear safety and cooling systems.
- EDF is working on innovative technologies to reuse evaporated water in cooling towers, though its feasibility remains uncertain.

### NEXT STEPS

EDF currently operates 56 reactors, of which 30 use closed-circuit cooling and 26 use open-circuit cooling, with the latter withdrawing far more water. Water discharges are closely monitored, but EDF maintains that the primary driver of ecosystem impact is climate change itself, rather than heat from power plants.

For now, the disclosure EDF provides in its annual reports regarding climate risk and water-related stress sensitivities remains insufficient. We will push for greater transparency in 2025.

From an investment perspective, this means we continue to avoid taking exposure at the long end of the curve, given the outstanding risks.

## EXAMPLES OF 2024 FIXED INCOME ENGAGEMENTS AND THEIR OUTCOMES

| COMPANY / GROUP | ENGAGEMENT ISSUE AND LATEST ACTION | IMPACT AND OUTSTANDING ISSUES |
|---|---|---|
| **Motability** | **Environment – climate change.** Motability is a UK company that leases cars, scooters, powered wheelchairs to disabled people, their families and their carers. At the time of our engagement, Motability had not published a climate transition plan.<br><br>We queried their intentions to publish one and asked them to align their long-term 2050 target with the Science Based Targets Initiative (SBTi). Additionally, we requested that they include the results of their climate scenario analysis in their annual report. | Motability published a transition plan within its 2024 impact report shortly after our engagement. The firm intends to expand this into a comprehensive Transition Plan Taskforce (TPT) aligned plan.<br><br>Motability has submitted its long-term target for 2050 to SBTi with a review scheduled for February 2025. The firm's near-term 2032 targets were verified by SBTi in 2023, aiming to reduce total fleet emissions by 58.1% per vehicle by 2032. To meet this goal, Motability must significantly increase the percentage of electric vehicles in its fleet, which currently, stands at 9%.<br><br>For the first time, Motability included the results of its climate scenario analysis in its 2024 Impact Report. |
| **Barclays** | **Environment – climate change.** Barclays is a British multinational universal bank. We still have not seen a climate transition plan from Barclays. As in the previous year, we queried management on this, highlighting that peers have already published transition plans.<br><br>During our engagement, we asked Barclays to extend the scope of its interim targets to include financing activities across all carbon-intensive sectors as well as its capital markets activities. We also requested an update on its efforts to align its targets with SBTi. | Barclays confirmed that a climate transition plan will be published in 2025, which we consider a key milestone. While most elements of a transition plan are already included in the annual report, a comprehensive plan outlining the bank's decarbonisation ambitions and net-zero journey is preferable.<br><br>In 2024, Barclays set interim targets for additional sectors, including real estate, agriculture and housing. However, these targets are still not SBTi-aligned. Management stated this is due to SBTi's framework not yet covering capital markets financing, though Barclays continues to engage closely with SBTi on this matter. |
| **Greensleeves Care** | **Social and governance.** Greensleeves Care manages 27 care homes across England. Greensleeves has a history of aggressive accounting practices, with significant use of EBITDA add-backs. This is particularly evident in its strategy of pursuing sale-leaseback transactions.<br><br>At the same time, the Group is facing challenging operating environment, further complicated by the crisis faced by the Care Quality Commission (CQC) whose operational effectiveness has been questioned and scrutinised. | Management has highlighted that Greensleeves' CQC ratings continue to outperform the sector, with more than 75% of homes rated Good, including two with an Outstanding rating. However, four homes require improvements, which remains a point of concern.<br><br>Management acknowledged that agency staff costs will remain elevated and expects some moderation over time. Similarly, in terms of EBITDA distortions, they stated that one-off events are expected to decline.<br><br>Concerns about Greensleeves' aggressive financial policy, combined with weaknesses in reporting standards and general underlying operating performance highlight the importance of ongoing engagement. Although the Group has shown some modest recovery of operating performance, we are considering reducing exposure if liquidity provides for such opportunity. |





### ALTERNATIVES ENGAGEMENT

In 2024, we engaged with **seven** board chairs of investment trusts, focusing on board effectiveness and their oversight of strategic decisions in a challenging environment. Our discussions covered several key areas:

- **Board refreshment, diversity and skills**. We reviewed the composition of boards, identifying where additional expertise or greater diversity was needed.
- **Internal control mechanisms**. We scrutinised the effectiveness of governance structures, ensuring boards were holding external managers accountable.
- **Management incentives**. We advocated for better aligning the external investment managers' incentives with the interested of shareholders through linking them to the market valuation of the company shares.
- **Investor communication**. We emphasised the need for clearer, more consistent engagement with investors, as communication has been weak in certain cases.

For some funds, follow-up engagements became intensive, reflecting the depth of concerns raised.

A full list of companies engaged with in 2024, along with the number of goal-linked engagement activities per company, can be found in the Appendix.

# PRINCIPLE 10
# COLLABORATION

**We collaborate with like-minded investors to amplify our voice in both company engagements and policy outreach. As a mid-sized asset manager with global investments, we are not often among the top 10 shareholders or creditors of a company. However, through collaboration, we can significantly enhance our ability to drive change.**

To build broader investor support, we focus on delivering high-quality analysis and presenting credible proposals for action that others can rally behind. This approach requires substantial analytical effort to ensure our recommendations are well-founded and impactful. As a high-conviction asset manager with a core global equity buy list of around 120 stocks, we can draw on a deep understanding of the businesses we hold.

## COMPANY ENGAGEMENTS

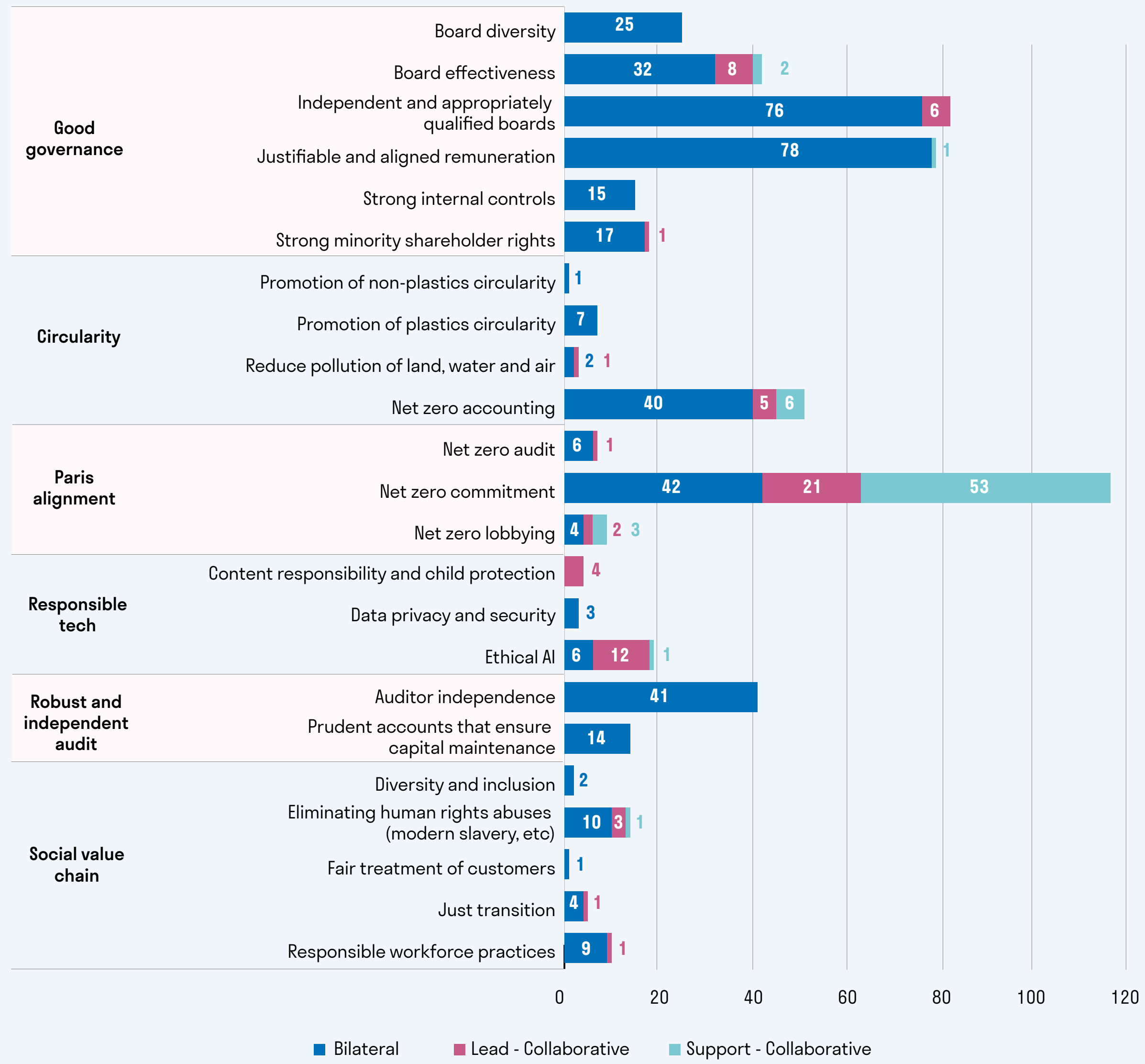
While the majority of our company engagements are conducted independently, as outlined in **Principle 9**, we collaborate with other investors when we believe it will increase effectiveness or where escalation is required due to resistance from a board or executives. Any collaborative engagement is undertaken in compliance with local laws and regulations.

In 2024, we participated in **133** collaborative goal-linked activities (GLAs) across **35 companies**. Of these, we led **66** GLAs, typically focusing on stewardship priorities identified in **Principle 1**, where assembling a broader group of investors could enhance our impact. The remaining **67** GLAs involved adding our support to efforts that aligned with our priority areas of concern.

Most of these engagements took the form of collective investor letters or joint calls, often followed by additional exchanges. A significant proportion of the work (particularly in cases where we took a lead role) involved coordination and preparatory discussions with other investors.

Please see below the statistics and examples of our collaborative engagements.

**Figure 10.1: Collaborations by Goal (Number of GLAs*)**




Source: Sarasin & Partners.
* 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.

## CASE STUDY: HSBC

### THE ISSUE

Banks play a critical role in financing economic activity and are essential to redirecting capital flows to support the global energy transition. At the same time, they are exposed to transition and physical risks through their lending and financing activities.

Whether in mortgage lending secured against properties vulnerable to wildfires or flooding, or loans to carbon-intensive industries facing declining demand, banks must develop resilience to climate risks. Climate change should be treated no differently from any other major economic threats, such as a global pandemic or a trade war, as it affects both individual banks and financial stability.

Sarasin has played a key role in co-leading a global investor initiative on net zero banking, coordinated by the Institutional Investors Group on Climate Change (IIGCC) (see **Principle 4** for further details). A central part of this initiative is our collaborative engagements with individual banks, such as HSBC and ING, which we profile here.

Our engagement with HSBC has focused on ensuring the board understands the urgency of climate action, has begun mapping risk exposures and is taking steps to mitigate them. A primary focus has been on HSBC's financial statements, ensuring that adjusted expected credit loss (ECL) assumptions reflect climate impacts, which is key to preparing for default risks and insulating the bank's balance sheet. We have also sought greater disclosures on climate risk implications for capital adequacy, aligning with the prudential stress testing focus of UK and European regulators.

### THE GOAL

Our engagement with HSBC focused on five key areas:

1. **Decarbonisation strategy.** Extend the scope of the HSBC's interim targets to cover all carbon-intensive sectors with science-based 1.5°C pathways.
2. **Avoid carbon lock-in.** Implement precautionary measures to prevent financing where it could result in non-aligned carbon lock in, particularly in high risk sectors.
3. **Credit due diligence.** Strengthen climate risk assessment in credit decision-making, ensuring these risks are properly measured, costed and incorporated into client engagement strategies to support credible transition plans.
4. **Financial statement disclosures.** Improve transparency on how climate risks are reflected in accounting assumptions and estimates, particularly ECL assumptions; and resilience to 1.5°C and hotter world scenarios, in line with the Internal Capital Adequacy Assessment Process (ICAAP).
5. **Lobbying alignment.** Secure a commitment that all policy advocacy efforts align with the Paris Agreement goals.

### WHAT WE DID

- Our engagement with HSBC began in 2018, when we first wrote to the chair, seeking the bank's commitment to align its strategy with the Paris Climate Agreement.
- In 2021, we joined a collaborative investor initiative with ShareAction, co-filing a shareholder resolution at HSBC's AGM calling for Paris-alignment. The resolution was withdrawn after HSBC committing to putting its climate strategy to a shareholder vote, which subsequently received 98% support.
- Since then, we have continued engaging with HSBC, most recently as a creditor, as we no longer hold shares in the bank.
- In September 2023, as co-lead for the IIGCC's net zero banking engagement effort, we coordinated a letter to HSBC's chair outlining our key requests. We copied this letter to the audit committee chair and lead audit partner at PWC, given our focus on financial disclosures.
- In 2024, we followed up with collective investor calls with HSBC's former audit committee chair, new audit committee chair, chief accounting officer and lead audit partner at PWC.

### OUTCOMES

Following HSBC's initial commitment in 2021 to align its strategy with the Paris Agreement goals, the bank has made progress on implementation, gradually extending sector-specific emission targets; and integrating climate risk into credit due diligence processes.

In January 2024, HSBC published its first Climate Transition Plan, consolidating its climate-related policies and targets, governance structures, and high level results from internal scenario analyses.

In 2024, HSBC also set new facilitated emissions targets for oil and gas, and power sectors in its investment banking an advisory activities.

A key development was HSBC's increased disclosure of quantitative risk exposure within its loan book, including how this translates to high potential ECLs:

- In 2023, HSBC began reporting on ECL risks under different climate scenarios.
- In 2024, it disclosed that in a delayed transition scenario, ECLs could rise up to three times by 2050, compared to a no-climate change benchmark.
- Under its net zero scenario, ECLs could rise over 1.5 times, though losses would be lower if clients take mitigation actions.

While we welcomed these disclosures, we remain concerned about HSBC's assumptions regarding climate risk timing. The business-as-usual (current commitments) scenario, which assumes temperatures rising by 2.4°C or more, projects minimal credit losses until 2035. This contradicts projections from the International Panel on Climate Change (IPCC) and appears to be a key reason why HSBC has not yet incorporated climate risks into its financial reporting.

### NEXT STEPS

We have welcomed HSBC's leadership in climate strategy and its ongoing engagement with investors. However, we will continue pressing HSBC to:

- Provide further detail on actions to deliver its Paris-alignment commitment.
- Improve climate risk modelling to reflect more realistic assumptions about the financial impact of climate change.
- Enhance disclosures on climate considerations in its ICAAP.

Depending on the quality of future disclosures, we may escalate our engagement in 2025, potentially including outreach to other policymakers.

## CASE STUDY: ING GROEP

### THE ISSUE

As a co-lead for the IIGCC Net Zero Banking initiative, we have been actively involved in global bank engagements, with a particular focus on ING's climate risk management since 2023, including by supporting a collaborative effort. While we consider ING a leader on climate among banks, 80% of its banking book is linked to carbon-intensive financing, and it faces material physical risks, particularly in its mortgage and agricultural lending activities.

### THE GOALS

Our early 2024 collaborative engagement with ING focused on climate risk management and capital protection, with specific objectives:

- **Scope.** Ensuring that decarbonisation targets are incorporated into all financing decision-making across core segments.
- **Financing conditionality.** Assessing how climate risk evaluations impact financing decisions, including interest rates and financing restrictions where conditions are not met.
- **Financial statement disclosures:** Ensuring climate risks are properly factored into accounting assumptions, particularly in expected credit loss (EPL) models at both macro and sector-specific levels.
- **Capital adequacy disclosures:** Seeking greater transparency on ING's stress testing results for its capital position under climate risk scenarios.
- **1.5°C-aligned advocacy:** Encouraging a commitment that all policy outreach, both direct and through trade associations, aligns with ING's 1.5°C commitment and is subject to an annual independent audit.

### WHAT WE DID

Following our letter to the chair, which outlined our 2023 voting rationales, including climate-related votes, we participated in several collaborative investor discussions with senior executives from sustainability, investor relations and reporting teams in 2024.

We led collaborative discussions on the financial materiality of climate risks and the importance reflecting these risks in ING's financial reporting and capital adequacy assessments.

In December 2024, we wrote to the executive chair to explain our decision to vote against the approval of ING's financial statements and abstain on remuneration-related votes, citing an insufficient focus on climate risk management.

### OUTCOMES

We were pleased to see ING take steps in 2024 to enhance its tracking of transition and physical risk exposures, as well as introduce measures to mitigate these risks, including:

- **Expanded climate risk management scope:** increased coverage from eight to 10 sectors, now including aluminium and dairy farming.
- **Oil and gas financing:** announced a commitment to phase out financing of oil and gas exploration and production by 2040, immediately halting new financing to pure-play upstream oil and gas companies developing new fields and stopping new LNG (liquefied natural gas) export terminal financing from 2025.
- **Financing conditionality:** strengthened requirements for clients to have credible transition plans before approving new financing.
- **Capital adequacy disclosures:** improved transparency in Pillar 3 reporting under Basel Framework, in line with new EU regulatory requirements.
- **Strengthened advocacy commitment:** a more comprehensive approach to align policy engagement with a 1.5°C pathway. ING's CEO reaffirmed this ambition, stating:

> *"We'll keep advocating for systems change, speaking up and setting out what we believe needs to happen to keep us all moving forward. We also see a role for ourselves in connecting and bringing others together, aiming to set in motion the solutions that will build momentum behind the positive tipping points that will accelerate the transition."*

We commend ING for these proactive steps.

### NEXT STEPS

We will continue to support ING's board in:

- Expanding the scope of its climate risk management efforts.
- Enhancing disclosures on the financial implications of climate risks for financial reporting and capital adequacy.

We will pursue these efforts both bilaterally and through collaboration with like-minded investors.

## CASE STUDY: META

### THE ISSUE

While we acknowledge Meta's efforts in content moderation, including publicly disclosed policies, standards and commitments, significant risks relating to misinformation and disinformation persist. These concerns intensified following the European Union's early 2024 probe into Facebook and Instagram and the anticipated political tensions surrounding upcoming elections in the US at the time.

Unlike some of its peers, Meta has not conducted human rights impact assessments (HRIAs) for its platforms or products. One key concern is child safety. Although Meta has taken steps to remove deepfake pornography and has committed to 'Safety by Design' principles to combat AI-generated child sexual abuse material (AIG-CSAM), the independent Oversight Board in July 2024 called for stronger policies in this area.

Another concern relates to Meta's use of private data in AI training. In June 2024, Meta paused its plans to train AI models on Facebook and Instagram data in Europe after the Irish Data Protection Commission raised GDPR compliance concerns. Questions also remain about the use of licensed external data, following a July 2023 class actions filed by a group of writers.

### THE GOAL

Our objective was to ensure that Meta's policies and practices evolve responsibly, particularly in the following areas:

- Effectively moderating misinformation and disinformation, with a focus on political content.
- Conducting HRIAs for high-risk areas, including child safety, targeted advertising and AI training on external, IP-protected data.
- Implementing robust policies for AI model training on external datasets, while maintaining compliance with data privacy regulations.
- Clarifying the governance of responsible AI, particularly the roles of the board's audit and risk oversight committee and the privacy and product compliance committee in overseeing user privacy, online safety and content moderation.

### WHAT WE DID

In September 2024, after outreach to shareholder groups, we participated in a collective investor call with Meta officials, including the policy and governance director and director of product. This call allowed for discussions on Meta's efforts to detect and mitigate risks on its platforms.

While the call reinforced Meta's commitment to a safer online environment, several key questions remained. We therefore coordinated a collective investor letter to Meta's head of global affairs, Sir Nick Clegg, raising concerns about AI risks and content moderation challenges. This letter was co-signed by 36 investors representing $3.6 trillion in assets.

### OUTCOMES

Meta's investor relations team responded, confirming our letter had been shared with Sir Nick Clegg and relevant teams. They committed to considering our concerns in future ESG group calls and public disclosures. We viewed this as a positive step and marked the engagement as a milestone.

However, developments in December 2024 and early January 2025 raised new concerns. Sir Nick Clegg's resignation and the appointment of a replacement with Republican connections coincided with Meta's policy changes on content moderation. These included:

- The removal of fact-checking processes
- Lifting restrictions on non-severe violations
- Modifications on content demotion mechanisms

We are evaluating whether these changes represent a partial rollback of content moderation policies or a full return to Meta's pre-reform stance. The appointment of new board members just before these announcements adds to our apprehensions about the company's strategic direction.

### NEXT STEPS

The apparent politicisation of AI safety and content moderation at Meta has heightened our concerns. As the implications of these decisions become clearer, we will follow up with the company to assess whether it remains committed to responsible AI governance. We will continue to push for greater accountability and advocate for stronger measures to mitigate the risks of misinformation, disinformation and privacy breaches.

## CASE STUDY: ALPHABET

### THE ISSUE

We view Alphabet (Google's and YouTube's parent) as a leader in AI development and a company that has made significant efforts to promote responsible AI. This approach is reflected in its disclosures and ratings in assessments such as the 2023 WBA DIB assessment, CFA AI Safety assessment framework and The Foundation Model Transparency Index.

Alphabet:

- Publishes public governance and operational reviews and regular reports on AI risk management.
- Established dedicated AI ethics governance bodies, including the Advanced Technology Review Council and Responsibility and Safety Council.
- Co-founded the Frontier Model Forum in July 2023, an industry body focused on safe AI development.

Despite these efforts, several evolving issues remain. We have concerns about the effectiveness of measures to prevent hallucinations and bias in Google's AI-based search engine and malicious use of Google DeepMind's Generative AI models. Additionally, we question how well YouTube's content moderation systems are addressing violent and abusive content.

### THE GOALS

Our goal was to establish a regular dialogue with Alphabet to:

- Discuss the effectiveness of Alphabet's governance tools and risk management approaches.
- Explore the systematic use of Human Rights Impact Assessments (HRIAs) for its major business lines and AI-driven products.

### WHAT WE DID

As a lead investor in Alphabet engagement for the World Benchmarking Alliance's (WBA) Collective Impact Coalition (CIC) on Ethical AI, we coordinated a letter to Alphabet's head of investor relations and Google's senior vice president of technology and society.

The letter, co-signed by 10 supporting investors, outlined our concerns and proposed a discussion with Alphabet's AI leadership team.

At Alphabet's AGM, we voted against seven directors and supported all four AI-related shareholder proposals, which called for enhanced AI governance including a report on generative AI misinformation and disinformation risks; and a human rights assessment of AI-driven targeted advertising policies.

### OUTCOMES

Alphabet responded to our letter directing us to public resources, including:

- AI Principles progress update.
- Policy Working Paper on Generative AI and Privacy.
- Whitepaper on The AI Responsibility Life Cycle.
- Blog posts on privacy, responsible AI development and the Frontier Safety Framework.

These materials provided valuable insights into Alphabet's approach and commitments, including examples of how the company uses 'red teaming' and harm assessment frameworks to mitigate bias risks. Based on this information, we marked this engagement as a milestone.

Despite this milestone, several of our concerns persist. We are therefore exploring work with other collaborative investor networks, including the Big Tech and Human Rights Group of the Council on Ethics of the Swedish AP Funds, the Investor Alliance for Human Rights (IAHR) and SHARE. These groups share concerns about the lack of direct investor engagement.

### NEXT STEPS

- With the broader investor groups, we are exploring alternative communication channels, such as public forums and assessment frameworks, to continue pressing for transparency.
- We plan to continue advocating for meaningful dialogue with Alphabet.





## CASE STUDY: SERVICENOW

### THE ISSUE

ServiceNow provides automated business solutions for corporate clients, focusing on IT, HR and customer service functions. Its latest products, Now Assist and Workflow Data Fabric, incorporate generative AI to enhance automation. While ServiceNow does not face the same human rights risks as consumer-facing technology companies, potential risks include biases and hallucinations in AI-driven processes, particularly concerning how customers use its platforms.

### THE GOAL

Our objective was to ensure that ServiceNow takes appropriate measures to protect the rights of all users, including the employees and clients of its customers. When we initiated this engagement, ServiceNow's public disclosures provided limited assurance on these concerns.

### WHAT WE DID

As the lead engager of the ServiceNow investor group within the WBA Collective Impact Coalition on Ethical AI, we sent a collective letter to the company outlining questions about its AI principles, policies and risk controls. We later held a call with ServiceNow's product and legal teams to discuss AI-related risks, opportunities and governance frameworks.

### OUTCOMES

Between the time we sent our letter and our investor call, ServiceNow published its Human-Centred Responsible AI Guidelines, addressing several of the concerns we had raised.

During our collective investor call, ServiceNow elaborated on its shared responsibility approach to AI risk management, which involves both the company and its customers working together to assess and address risks in specific use cases.

The company provides customers with tools and resources to enhance AI transparency and risk management, such as Model Cards, human oversight mechanisms and risk evaluation tools throughout the product lifecycle. Mitigation measures are developed in collaboration with clients, including fine-tuned differentiated access controls. These details are disclosed in the 'Putting AI to Work for People' chapter of ServiceNow's 2024 Global Impact Report.

ServiceNow collaborates with academic organisations and the US National Institute of Standards & Technology to refine its AI practices. It also publishes AI-related articles on its website.

During the call, we received assurances that ServiceNow prioritises responsible AI, has a robust risk management system, and is improving its disclosures. Based on this engagement, we marked the interaction as a milestone.

### NEXT STEPS

We learned that ServiceNow's AI governance includes an AI steering committee, but we recommended that the company articulate its AI governance framework in more detail on its website. Specifically, we suggested clarifying the roles and responsibilities of stakeholders involved in AI risk management, including the board. We also proposed sharing anecdotal evidence to illustrate how the governance system operates in practice and incorporating independent third-party evaluations, such as human rights due diligence, as part of its control mechanisms.

ServiceNow acknowledged the value of investor feedback and agreed to consider our suggestions. We will monitor future developments and continue our engagement with the company.

Please also see our case studies on Equinor and US Solar Fund in **Principle 11** as other examples of our collective action.

### POLICY OUTREACH

Many of our collaborations connect with broader engagement initiatives, such as CA100+, IIGCC and World Benchmarking Alliance, and Global Network Initiative. These initiatives were outlined under **Principle 4**.

Similarly, collaboration is essential in our policy outreach work, where a collective investor voice behind is often required to push for meaningful policy action. Examples of our policy advocacy efforts include:

- Improving the audit system.
- Reforming international accounting standards.
- Calling for Paris-aligned company accounts.
- Calling for investors to adopt net zero voting policies.

# PRINCIPLE 11 ESCALATION

**Escalating engagement when we fail to gain traction on key issues is critical. It reinforces our commitment to stewardship and strengthens our chances of success.**

**Escalation plays a role in our company engagements (see Principle 9) and our policy and market outreach (see Principle 4). However, we do not escalate in all situations – costs, likelihood of success and reputational risks must be carefully considered.**

There are **various escalation tools** available 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.
- Public statements.
- Submitting formal complaints to regulators.
- Litigation.

## COLLECTIVE SHAREHOLDER ENGAGEMENTS

A common escalation step is to join with other concerned shareholders in a joint engagement effort. While rules around collective engagement vary across markets, meaning this approach is not always viable, it is widely used in jurisdictions like the UK, Europe and US to foster better dialogue and stronger governance (see **Principle 10**). Notable examples of collective shareholder engagements in 2024 included Alphabet, HSBC and Meta.

## VOTING AGAINST DIRECTORS

A fundamental pillar of good governance is that individual directors can be held personally accountable for shareholder outcomes. We take a thoughtful approach to our voting decisions and do not automatically support director elections.

We also communicate with other investors and proxy advisory firms to ensure they are aware of long-term shareholder concerns. While the legal power of the vote varies by jurisdiction, its regional impact can be highly influential, particularly when more than 10% of votes oppose an individual director.

Understanding board dynamics is key – we aim to identify directors who may be sympathetic to our concerns and tailor our voting approach accordingly.

### OUR VOTING RECORD IN 2024

- We voted against **794 company directors** (**23% of total** director election votes) for various governance concerns, primarily due to lack of board independence (see figure 11.1).
- We held key board committee chairs accountable, particularly in remuneration, audit and nomination committees, where we identified weaknesses in oversight.

  For example, if we voted against a company's remuneration policy/report or auditor for two consecutive years without seeing positive change, we typically escalated by voting against the committee chair.

  In 2024, this escalation approach resulted in votes against **230 directors** (**7% of all total** director election votes). Notable examples include Amazon, Colgate, Blackrock and Microsoft.
- For the first time, we applied a Further Escalation Rule, where we voted against board chairs in situations when we have articulated concerns about board independence, audit matters or executive remuneration for four years in a row, explained them to the chairs, but still did not see progress. We applied our further escalation rule in **18 votes.**

These votes against directors were often linked to ongoing engagement efforts (see Equinor and US Solar Fund case studies in this section). Beyond governance concerns, we also use our votes to advance our priority engagements, particularly where we see inadequate action.

### CLIMATE ACCOUNTABILITY THROUGH VOTING

To drive action on climate change, we apply our Climate voting policy, which we have strengthened over the years. This policy holds board chairs, audit committee chairs and remuneration committee chairs accountable for their role in climate oversight.

In 2022 we published our Climate voting policy as a standalone document, reinforcing the importance of director accountability on climate risks (see also our approach to climate-related voting on auditors, financial statements and executive remuneration in **Principle 12**). In 2024, we voted against **101** directors on climate grounds, where we identified material climate risks and saw insufficient progress.

### DIVERSITY-RELATED VOTES

We also escalated votes based on board diversity concerns:

- We voted against **127** directors, primarily nomination committee chairs, due to insufficient gender diversity. In 46 cases, gender diversity was the sole reason for our opposition. Some of these votes escalated previous engagements where we saw insufficient progress. Examples include Givaudan, Renew , Smith & Nephew and TSMC.
- We extended our diversity-related voting rules to cover ethnic diversity in UK and US companies. As a result, we voted against **41** nomination committee chairs due to insufficient ethnic diversity. In **16** cases, this was the sole reason for our opposition.

Figure 11.1 shows a detailed breakdown of our 2024 director voting decisions.

**Figure 11.1: Votes against directors in 2024**

| RATIONALE FOR VOTING AGAINST COMPANY DIRECTORS | NUMBER OF DIRECTORS |
|---|---|
| **Lack of independence, including:** | **404** |
| Lack of majority independence of the board | 168 |
| Non-independent directors on key committees | 295 |
| **Board diversity, including:** | **148** |
| Gender diversity | 127 |
| Ethnic diversity | 41 |
| **Overboarding** | **94** |
| **Escalation** | **230** |
| **Climate concerns** | **101** |
| **Staggered or classified boards** | **75** |
| **Total** | **794** |

Source: ISS and Sarasin & Partners. The total number of director votes was 3379. 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 the power to file resolutions, including proposing independent board directors. This can be an effective tool to ensure the board has the right leadership or to push for specific actions the board might otherwise resist. Even when shareholder proposals do not pass, they can send a strong signal that action is required, particularly if they receive significant support.

## SHAREHOLDER RESOLUTION: EQUINOR

In April 2024, we submitted a shareholder resolution to Equinor, in line with the company's commitment to support the goals of the Paris Agreement. This followed the Norwegian Government's 2023 statement, which set clear expectations for Equinor to actively align with the Paris Agreement. Our resolution called on the board to update its strategy and capital expenditure plan to ensure alignment with these goals. Specifically, we requested that Equinor's updated plan should outline how any new oil and gas reserve development aligns with the Paris Agreement. (For more details, see the Equinor case study on page 94.)

We also proposed director candidates to the boards of Equinor and US Solar Fund (see the case studies in this section).

### VOTING AGAINST THE AUDITOR AND/OR ANNUAL REPORT AND ACCOUNTS

Shareholders often have a binding vote on the appointment of the auditor, but even non-binding votes can be powerful. The auditor plays a critical role in ensuring company financials accurately reflect risks and capital strength. Shareholder voting (alongside engagement with auditors) helps ensure that auditors:

- Remain vigilant on behalf of investors
- Are not overly influenced by company executives
- Uphold audit quality and financial transparency

Failure to hold auditors accountable has been a key contributor to weak audit quality and investor scepticism about the reliability of company accounts.

#### OUR 2024 VOTING RECORD ON AUDITORS

- Voted against **161 auditor appointments (24% of total** votes) due to concerns over independence or audit quality.
- Voted against **4% of all company annual reports** and accounts due to a lack of transparency.

#### CLIMATE RISK AND AUDITORS

A key focus in 2024 was ensuring that auditors assessed and disclosed climate-related financial risks, particularly for carbon-intensive companies. For companies on Sarasin's high climate-risk list, we:

- Voted against **70% of auditor reappointments** at our Climate Amber List (CAL) companies due to insufficient evidence that climate risks had been properly considered.
- Voted against the approval of **75% of annual reports** and accounts for the same companies.

For details of our 2024 votes against management proposals on climate grounds, see **Principle 12**.

### PUBLIC STATEMENTS

In certain cases, public statement by shareholders can increase market scrutiny and prompt company action. For example, following engagement in 2024, we publicly escalated proxy actions for US Solar Fund, Rio Tinto and Equinor.

### SUBMITTING FORMAL COMPLAINTS TO REGULATORS

Where a breach occurs (such as inadequate shareholder disclosure, misrepresentation or poor stakeholder treatment), we may escalate by submitting complaints to regulators to drive corrective action.





### LITIGATION

Legal action carries high hurdles but can be appropriate in extreme cases, such as directors failing fiduciary duties. Even the threat of litigation can influence board decisions. In 2024, we considered one potential legal action as part of our escalation strategy.

### CONSIDERATIONS

We do not take escalation lightly. At every stage we:

- Conduct internal debate and challenge
- Carefully weigh up the benefits and risks
- Seek legal guidance where necessary

Our effectiveness depends on our reputation for accurate analysis, long-term value creation and integrity. We remain firm in holding directors and auditors accountable, speaking out against poor governance, and embracing necessary challenges when required.

We also work with third parties, including civil society organisations, and routinely reassess our investment theses to ensure they remain aligned with our values.

### GEOGRAPHICAL DIFFERENCES IN OUR APPRAOCH

While we apply universal ESG principles, our implementation strategy accounts for regional differences.

#### REGIONAL PRIORITISATION

- Initially, we focused our Say on Pay votes on markets where they are already established, such as the US, Canada, UK, Australia and Europe.
- From 2025, we extended escalation voting to markets without Say on Pay votes, to promote global best practices.

#### EXECUTIVE SHAREHOLDING REQUIREMENTS

- We believe senior executives should retain significant shareholdings during employment and beyond.
- Our CEO shareholding threshold is 400% of base salary in UK, Europe and Australia; 600% in the US, where variable pay is higher and fixed salaries are lower; and reduced to 300% in markets outside the US, UK and Ireland.

#### DIRECTOR SEQUENCING AND STAGGERED BOARDS

- In markets allowing staggered boards (such as Continental Europe), we escalate concerns by voting against relevant directors when committee chairs are not up for election. In Germany, where director elections are not always available, we vote against the discharge of specific directors.
- In Japan, where boards lack key committees (audit, nomination and remuneration), we escalate by voting against top executives when governance concerns arise.

## CASE STUDY: EQUINOR

### THE ISSUE

Equinor, Norway's national oil and gas company (67% state-owned), faces the challenge of aligning with the Paris Agreement while remaining financially viable. The Paris Agreement requires a steady decline in fossil fuel production, yet Equinor's earnings remain heavily dependent on oil and gas. As it maps out its future, the company must decide whether to:

- Expand its low-carbon business to replace fossil fuel revenues.
- Return capital to shareholders rather than reinvest.

Sarasin has held shares in Equinor since 2021, viewing it as one of the best-positioned oil majors to navigate decarbonisation, given its:

- Low-cost reserves
- Investments in onshore and offshore wind, hydrogen and carbon capture
- Government pressure to align with net-zero goals

### THE GOALS

Despite Equinor's potential, it lacks a strategy aligned with a 1.5°C pathway. Our three key objectives for our engagement with Equinor are:

- 1.5°C-aligned emission targets
- 1.5°C-aligned capital expenditure strategy
- 1.5°C-aligned accounting disclosures

### WHAT WE DID

Since November 2020, we have engaged with Equinor's audit committee chair and the lead audit partner. This engagement was part of a broader initiative led by Sarasin and the Institutional Investors Group on Climate Change (IIGCC). Our focus has been on pressing carbon-intensive companies to:

- Ensure their financial statements properly reflected material climate risks.
- Incorporate the costs of implementing their commitments.
- Provide greater visibility on exposure to a 1.5°C pathway.

In early 2021, Sarasin became a lead investor in the CA100+ initiative, working closely with the co-leads to push Equinor towards a more ambitious climate strategy. A key element of our engagement has been a dialogue with the Norwegian government, Equinor's largest shareholder.

Building on increasingly intensive engagement from 2021 to 2023, we undertook 26 engagement activities in 2024, including discussions with company executives, the board and the Norwegian Government's Ownership Department. In 2024, our efforts focused on three key initiatives:

- Filing a shareholder resolution at Equinor's May AGM, together with three other investors (see box above).
- Proposing the appointment of an external advisory panel to support Equinor's Energy Transition Plan review.
- Nominating a non-executive director (NED) to Equinor's board in December.

To strengthen our shareholder resolution, we conducted extensive outreach to other investors, proxy advisory agencies and the public. As a result, our resolution secured over 30% support from non-state shareholders.

You can find Sarasin's supporting statement for our proposed shareholder resolution on our website.

### OUTCOMES

Our engagement with Equinor has driven meaningful progress over the years:

- Leading emissions reductions: Equinor's efforts to lower scope 1 and 2 emissions remain industry-leading.
- Increased renewables investment: the company has maintained its commitment to raise renewable energy investments to 50% of total gross capex by 2030.
- Enhanced financial disclosures: since 2023, Equinor has improved transparency in its financial statements, providing better visibility into climate-related risks.
- Consistent net-zero strategy: unlike many peers, Equinor has not reversed its net-zero commitments.

While Equinor did not announce new commitments in 2024, its Energy Transition Plan is set for review in 2025. Nevertheless, the strong investor support for our shareholder resolution marked a significant step forward.

Additionally, while the Norwegian government did not vote in favour of our resolution, it reaffirmed its expectation that Equinor must ensure alignment with a 1.5C pathway in a statement to Parliament following an inquiry on the Sarasin resolution.





We were also pleased to see Equinor take a 10% stake in Orsted, the leading global offshore wind company, reinforcing its commitment to the low-carbon transition.

The timeline in figure 11.2 outlines the key actions we took in 2024, alongside the milestones and impacts achieved.

#### Key elements of Sarasin's escalation over the years

Our engagement with Equinor has involved a range of escalation strategies, aimed at driving greater climate accountability and strategic alignment with the Paris Agreement.

- Coalition building: alongside bilateral dialogue with Equinor, we have led collective investor engagements, advocating for climate-related financial statement disclosures. In parallel, we have played a co-lead role in the CA100+ initiative, working with other investors to push for more ambitious climate action.
- Vote escalation: in addition to filing a shareholder resolution at Equinor's 2024 AGM, we escalated pressure by voting against the annual report, the remuneration policy and report, and the auditor's remuneration due to climate-related concerns. We also supported a shareholder resolution calling for greater climate expertise on the board.
- Filed shareholder resolution: having pre-declared key votes against management at Equinor's 2022 and 2023 AGMs, we took further action in 2024 by leading a shareholder resolution. This resolution called on the board to align its capital expenditure and strategy with the Paris Agreement goals, in line with the Norwegian government's stated expectations (see box above).
- Collective letters to chair: building on past engagements with Equinor's chair, in 2024 Sarasin coordinated collective letters requesting the establishment of an advisory panel to inform Equinor's Energy Transition Plan review, and the nomination of a non-executive director (NED) to strengthen board oversight on climate strategy.
- Outreach to Norwegian government: given Norway's 67% stake in Equinor, its role is critical to ensuring effective engagement. As the State has publicly supported the Paris Climate Agreement, we sought an ongoing dialogue with the government, beginning in January 2023, when we joined a collective letter to Norway's prime minister. In 2024, we continued regular exchanges with government representatives.

#### Figure 11.2: Escalation at Equinor – actions and progress in 2024

Engaging since 2020: board and Norwegian government

2020–2023

**KEY ACTIONS**

- Intensive engagement with Equinor, auditor and Government
- **Letter to Norway's PM seeking support**

KEY IMPACTS / MILESTONES

- **2022 Transition Plan** with 2050 net zero commitment
- Target for **50% gross capex** to renewables
- **Enhanced visibility** on financial consequences of climate risks
- Govt 2023 **AGM statement**

Jan–May 2024

**ESCALATION TO AGM**

Actions

- **Outreach to Ministry and Board on draft resolution**
- Outreach to investors and proxy agencies
- Market outreach including financial press

May 2024

**SHAREHOLDER RESOLUTION**

Actions

- **Filed shareholder resolution at 2024 AGM**
- Media coverage: FT and Reuters coverage

IMPACTS

- Received **32% non-state vote**
- **Question in Norwegian Parliament** on Sarasin resolution

Aug–Dec 2024

**TRANSITION PLAN AND BOARD**

Actions

- Proposal for Advisory Panel rejected by Chair
- **Nominated NED for Board**
- Sent post-proxy letter to Chair

MILESTONES

- Acquired 10% stake in wind power company Orsted

## CASE STUDY: US SOLAR FUND

### THE ISSUE

US Solar Fund (USF) is an alternative investment trust, in which we are one of the largest shareholders. Since its listing in 2019, we have engaged with USF, with our involvement becoming more intensive from 2022 onwards. Following a turbulent period for the company's share price, we called on the board to develop a clear strategy to realise portfolio value and return capital to shareholders, as we believed the company had limited growth prospects.

In response, USF published a Strategic Review in October 2022, outlining three possible paths:

1. Selling the company.
2. Selling its assets.
3. Hiring a new investment manager.

Despite our input, the board pursued the third option, which we viewed as the least desirable outcome, and its communication remained insufficient.

In July 2023, we requested a collective investor meeting with the board to articulate our expectations. However, we were frustrated by the board's lack of responsiveness to investor concerns and identified a need for enhanced industry-specific expertise among its members.

### THE GOAL

Our primary objective was to ensure that the board acted in the best interests of shareholders by:

- Improving transparency and communication with investors.
- Implementing a strategy to unlock asset value.
- Enhancing board expertise in solar assets to drive better decision-making.

### WHAT WE DID

Ahead of the 2024 AGM, we publicly expressed our frustration by voting against the chair and supporting the discontinuation of the company. As in the previous year, the board responded by stating that if shareholders voted against the chair, all directors would step down. We viewed this as an inappropriate attempt to pressure shareholders, whether intentional or not, discouraging them from exercising their rights.

At the AGM, we voiced our concerns and were supported by other major USF shareholders. 35% of shareholder votes were cast against the chair, sending a strong signal of investor dissatisfaction.

During the meeting, one director stepped down, prompting the board to initiate an investor consultation process to select a replacement. Leading a group of four other investors holding a combined 34.5% of USF stock, we put forward a candidate for the independent director role. Our aim was to strengthen industry experience on the board, ensuring better value realisation for solar assets and improving investor communication.

Following discussions with the chair and the chair of the audit committee, we gained agreement on the relevance of our candidate's skills. In addition, we pressed for greater transparency and regular investor updates.

### OUTCOMES

The investor-nominated candidate was appointed as an independent director and named chair of the Management Engagement Committee.

The board committed to holding quarterly meetings with investors.

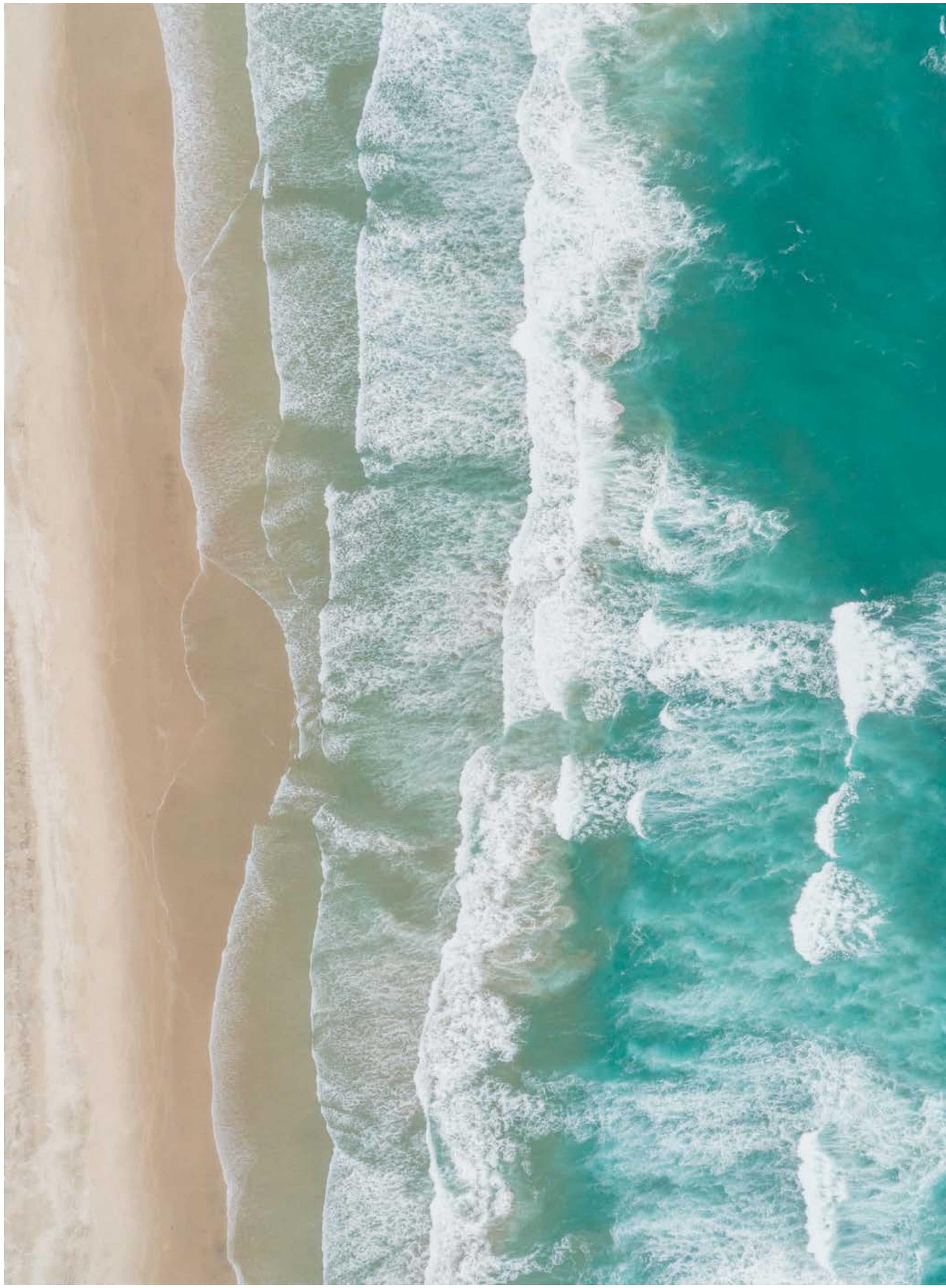
In October 2024, we held a call with directors to discuss board priorities and establish a monitoring framework for the external manager's progress in executing the strategy and managing operational risks. Following this, the board provided a briefing about its next meeting.

We remain cautiously satisfied with the improvements in board expertise and investor communication.

### NEXT STEPS

The board's enhanced capacity must now translate into tangible strategic implementation. We will continue to engage closely, assessing progress. If improvements remain insufficient, we will consider nominating another board candidate to further strengthen oversight.





# PRINCIPLE 12

# EXERCISING RIGHTS AND RESPONSIBILITIES

**In this section, we explain how we exercise key shareholder and bondholder rights and responsibilities on behalf of our clients. Most attention is typically given to shareholder rights associated with voting at annual general meetings (AGMs). However, creditors also have rights and can influence issuers to encourage more sustainable behaviour. We outline our approach to both, including details of our voting activity in 2024.**

We vote on behalf of 80% of our AUM. When onboarding new clients, the client manager confirms whether they wish to delegate voting to Sarasin & Partners. If they do, voting instructions are passed to the operations team, which sets up the appropriate accounts with our proxy provider, ISS. The operations team also conducts checks on accounts with delegated voting rights twice a year.

Clients who delegate voting to us cannot override our policy, but they may request that we apply an alternative policy on their behalf. Only two of our clients have opted for an alternative policy.

## OUR VOTING POLICY SUPPORTS OUR APPROACH TO STEWARDSHIP

To ensure sound corporate governance, we believe investors must fulfil their responsibility to monitor and hold executives to account. A key mechanism for this is exercising voting rights.

Our approach to governance and voting is outlined in our Corporate governance and voting guidelines, which incorporate the UK Corporate Governance Code and international governance standards. These guidelines reflect our views on key governance issues, including:

- Board structure, composition and effectiveness
- Executive remuneration
- Audit, accounting and internal controls
- Capital structure and shareholder rights
- Common environmental and social resolutions

We review these guidelines annually to ensure they reflect evolving best practices. In December 2024 we updated our voting policy and in March 2025 we published a summary of these changes on our website.

Looking ahead, the **key changes in our voting policy for 2025** following our December 2024 review included:

### 1. Executive remuneration: global disclosure and voting rights

In most major equity markets, routine advisory votes on remuneration (often referred to as 'Say on Pay') are mandatory. However, this is often less frequent than yearly. The UK, France, Germany, Switzerland and Australia are examples of where annual votes are mandatory. Even where not required, annual Say on Pay has become best practice.

We have traditionally supported an annual Say on Pay vote for companies in the U.S. and Canada. In 2024, we introduced two new rules. If the Say on Pay frequency exceeds one year, we will vote against the chair of the remuneration committee.

From 2025, we will apply a best-practice approach globally. If executive remuneration is neither disclosed nor put to a vote – either in the current year or on an ongoing basis – we will vote against the chair of the remuneration committee. In the absence of a remuneration committee, we will hold the next most responsible director(s) accountable. For example, in Japan, this would normally be the president and the chair of the company.

### 2. Executive remuneration: pay-for-performance

In addition to our existing rule regarding concerns over excessive pay, we are introducing a new case-by-case voting policy. When quantitative concerns about pay alignment with financial performance are raised by ISS or HOLT Lens research[1], we will consider voting against the executive remuneration proposal.

### SRD II DISCLOSURE NOTE TWO

The Shareholder Rights Directive (SRD) II, requires Sarasin & Partners LLP to publicly disclose on an annual basis how we have implemented our Engagement Policy. This includes providing a general description of our voting behaviour, an explanation of the most significant votes and a report on our use of proxy advisers.

Under this principle, we outline our voting activity for 2024, highlight the key votes (including an explanation of the most significant ones), and detail our use of the proxy advisory firm ISS.

Sarasin & Partners LLP considers the most significant votes as those where a) the company is on our Global Equity Buy-List, as well as one of our ESG Watchlists, b) we have voted against management and c) where we are either putting forward a shareholder resolution, or hold 3% or more of the company's voting rights.

During the period, the most significant vote pertained to the Equinor shareholder resolution covered in Principle 11. Examples of key votes during the period are included on page 106.

Many voting decisions are made on a case-by-case basis, particularly on shareholder resolutions. Our stewardship specialists and analysts jointly review these, ensuring decisions reflect the company's business model, practices and our engagement experience.

[1] These research providers were selected based on their methodology: they look at the company pay quantum in relation to financial performance as measured by 3-year Economic Profit (HOLT Lens) or Economic Value Added (ISS). Both companies also look at relative alignment with peers.

EXERCISING RIGHTS AND RESPONSIBILITIES PRINCIPLE 12

**3. Executive remuneration: performance periods**

We have introduced a new rule that will trigger votes against remuneration in cases where the performance period for long-term incentive plans (LTIPs) is deemed insufficient. In principle, we would like to see incentive schemes encourage a long-term approach by management. We will initially be guided by best market practices, while considering regional differences. For instance, a 36-month period is expected in the UK, whereas a 48-month performance period is the standard in Australia.

**4. Executive remuneration: disclosure of performance targets**

We have traditionally voted against remuneration policies and reports when performance metrics were not disclosed. This year, we are expanding this approach: we will also vote against remuneration proposals if the specific targets for those performance metrics are not disclosed unless the company provides a compelling rationale.

**5. Executive remuneration: performance-based component within LTIP**

We continue to observe instances in the U.S. where executives receive the bulk of their LTIP in the form of time-based shares or stock options without performance conditions. While we acknowledge the value of some time-based awards in boosting executives' shareholdings (as long as they are required to hold these shares for a minimum period), we believe this should be balanced with performance-based awards to reinforce alignment with shareholder interests. As a result, we have implemented a new rule: we will vote against Say on Pay at companies where time-based awards constitute more than 50% of the LTIP.

**6. Regional differences: Japanese companies without a three-committee structure**

For Japanese companies without a three-committee structure, where our escalation rule cannot be applied to committee heads, we will instead apply it to the two top executives: the president and the chair of the company.

**7. Staggered boards: enhancement rule**

We have traditionally voted against the nomination/governance committee chair if the company has a classified or staggered board—where directors are elected for varying terms or in tranches (e.g., one-third elected each year over a three-year cycle). We do not believe such structures serve shareholder interests, as they limit accountability. We view director elections as a fundamental investor right, ensuring board accountability. Otherwise, shareholders are forced to escalate concerns by voting against directors who may not be directly responsible for the particular area of interest.

Recently, we have observed extreme cases where no directors were up for election in a given year. To address this, we have added a new rule: if no directors are put to a vote in a particular year, we will vote against the financial statements as a means of escalating our concerns.

## NET ZERO VOTING POLICY

In 2024, we continued to apply our Net zero voting policy, in place since 2018, as a core part of our stewardship efforts to align with the Paris Agreement goals on climate change. This policy embeds climate considerations into our voting decisions, holding directors and auditors accountable, and informing our approval of companies' remuneration and financial statements.

The policy applies to entities we consider most materially exposed to climate risks (our Climate Amber List). These are entities where we expect boards to enhance resilience by adjusting their strategy, capital expenditure and governance structures to align financial reporting and remuneration with climate goals (see **Principle 7** for criteria).

Figure 12.1 provides a summary of our 2024 votes against key routine AGM resolutions at Climate Amber List companies.

As with all our core initiatives, these voting decisions are integrated into our broader engagement plans with investee companies (see **Principle 11** on escalation). We also continue to advocate for more impactful voting among our peers through public statements, webinars and our involvement in the Institutional Investors Group on Climate Change (IIGCC) proxy adviser engagement workstream (see **Principle 4**).

## VOTING IMPLEMENTATION AND REVIEW

We use ISS, a proxy advisory firm, to implement our voting policy, though we do not adopt their default voting policy. We monitor voting outcomes through a manual review process, particularly for:

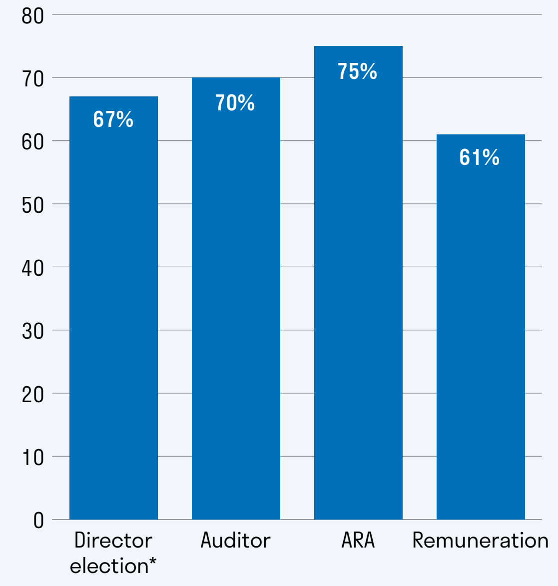
- Items requiring case-by-case consideration, such as shareholder resolutions
- Controversial votes such as votes against board proposals
- Votes linked to any ongoing engagement with companies on our core buy lists

Our review of ISS's performance in 2024 found their service remained strong. Of 7,000 votes cast, we identified nine voting errors (0.13%), an improvement from 2023's 17 errors (0.23%).

Our voting principles tend to be more robust than ISS's default policy, leading us to vote against board proposals more frequently, particularly on director elections, remuneration, accounting and audit resolutions. During the 2024 voting season, we voted against management on at least one resolution in **95%** of companies on our core buy lists and deviated from ISS's default policy on **22%** of resolutions, primarily in these areas.

**Figure 12.1: Climate-related voting**

Proportion of Climate Amber List companies where we voted against or abstained from voting on climate considerations (%)*




Source: Sarasin & Partners, 31 December 2024

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

## VOTING AS A TOOL FOR ENGAGEMENT

As highlighted in **Principle 9**, voting is a key element of our ownership discipline, reinforcing the priorities we raise with companies. Where a company's response to our engagement is inadequate, we may vote against specific directors or other resolutions.

To ensure boards understand the rationale behind our votes, we have a post-proxy letter programme directed at chairs or lead independent directors. In 2024, we wrote to 50 companies, selected based on the significance of the voting issues and materiality of our holdings.

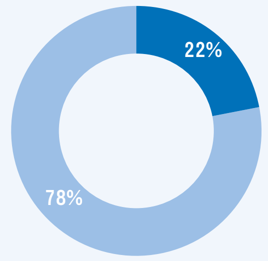
In some cases, companies may seek our input ahead of a vote, particularly if they anticipate it will be contentious. Where we have concerns or recommendations, we engage directly with the chairman, senior independent director or the relevant board member (e.g. the remuneration committee chairman for executive pay matters or the audit committee chairman for accounting concerns).

We do not typically attend AGMs, as we have sufficient channels to communicate with companies. However, if a particular issue requires public scrutiny, we will attend general meetings to raise questions and concerns directly. We also pre-declare votes on our website as an escalation tool, highlighting key concerns ahead of an AGM. In 2024, we pre-declared our votes on climate for Equinor, Rio Tinto and US Solar Fund.

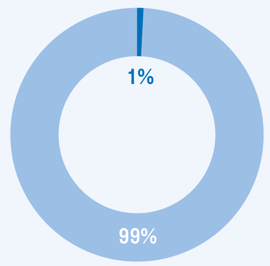
## KEY FEATURES OF OUR 2024 VOTING

**Thoughtful voting policy**

22% of resolutions were voted differently from ISS during the 2024 proxy season




1% of resolutions (17 resolutions) were manually determined or overridden from our own voting policy




**Voting informs analysis and engagement**

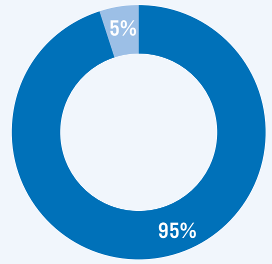
Email alerts are sent to analysts, portfolio managers and the stewardship team on all 'against' votes for core holdings, ensuring they inform stock analysis

Voting decisions contribute to the investment case – for example, if we vote against an auditor, we factor accounting risks into our analysis

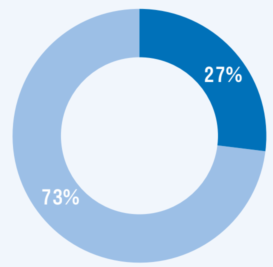
Votes reinforce our engagements, ensuring that concerns raised with management are followed through with voting action, rather than being overlooked

**Willingness to voice concern**

During the 2024 proxy season, we voted against management in 72 out of 76 company meetings




We opposed management in 27% of total resolutions




Voting records are published quarterly on our website, with rationales for 'against' votes sent to 50 companies

Note: Data reflects the global equity buy list as of 22 January 2024 (76 companies that were voted in 2024) for the 2024 proxy season (1 January to 31 December 2024).

Source: Sarasin & Partners, Diligent

## OUR VOTING ACTIVITIES 2022–2024

We aim to vote on all shares held by our clients, except where impediments make this too costly (see note below). We do not engage in securities lending, which could inhibit our ability to vote. In 2024 we voted:

- At **92.5%** of company meetings and on **94.3%** of our resolutions
- Against management (including abstentions) in **22.3%** of resolutions, compared with **21.2%** in 2023, and **22.2%** in 2022
- Against management on our buy-list companies in **27%** of resolutions (76 stocks)

Note: the votes we did not implement were primarily due to power of attorney and share-blocking arrangements in certain markets, which impose additional costs and limit trading during the share-blocking period. In these cases, we assess the costs and benefits of voting. Where we have an ongoing engagement and believe the vote is a key lever for change, we may take the necessary steps to exercise our voting rights.

Figures 12.2 and 12.3 provide a breakdown of our votes across each category of resolutions.

**Figure 12.2: Against and abstain votes on management resolutions, %**

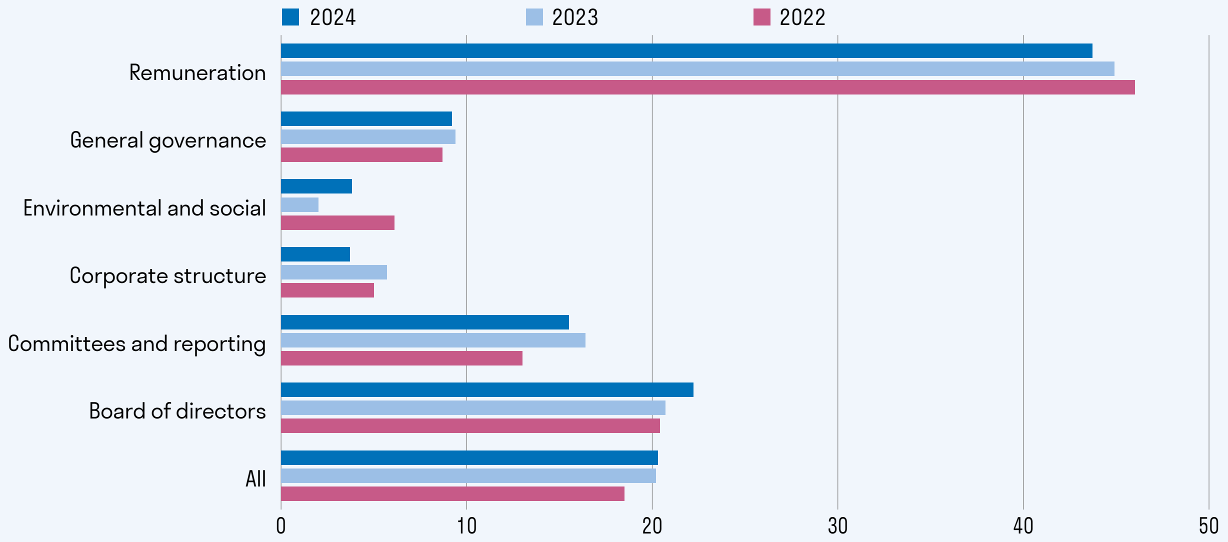
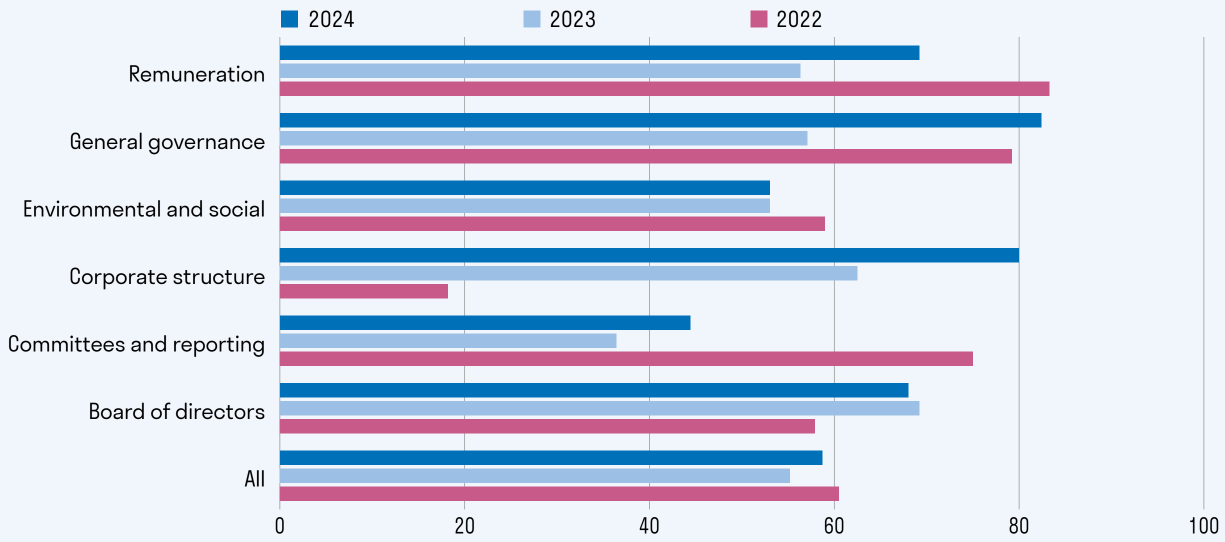



**Figure 12.3: For votes on shareholder resolutions, %**




Source: Diligent.





### VOTING PROCESS

Voting decisions are embedded within our asset management team, rather than handled in isolation by the stewardship team. This ensures we make well-informed decisions, particularly in more complex cases. Additionally, we believe that insights gained from voting and engagement enhance our investment decision-making, as outlined under **Principle 7**. For example, if we vote against directors or remuneration, this informs the governance pillar of our SIM assessment for that entity.

During proxy voting season, when our voting policy is expected to result in a vote against an investee company, or if an item 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 review the vote to determine the best course of action in our clients' interests. As part of this process, we will consider:

- Our engagement experience with the company
- Company disclosures
- Research from ISS, MSCI ESG and other independent sources
- Relevant stakeholder views, including those of government officials, non-governmental organisations and other investors
- Additional inputs from the company or co-shareholders, where necessary

While our voting policy provides clear guidelines, we do not apply it rigidly. It is impossible to anticipate every scenario, so we retain the ability to diverge where it is in our clients' best interests. For example, in certain cases, the spirit of our policy may require a different approach. Similarly, if we have an ongoing dialogue with a company and believe that voting against the board could be counterproductive, we may adjust our vote accordingly. Any deviations from policy are clearly justified in our voting notes.

As the charts in the box 'Key features of our 2024 voting' show, during the 2024 voting season, we overrode our voting policy in 1% of resolutions at our buy-list companies.

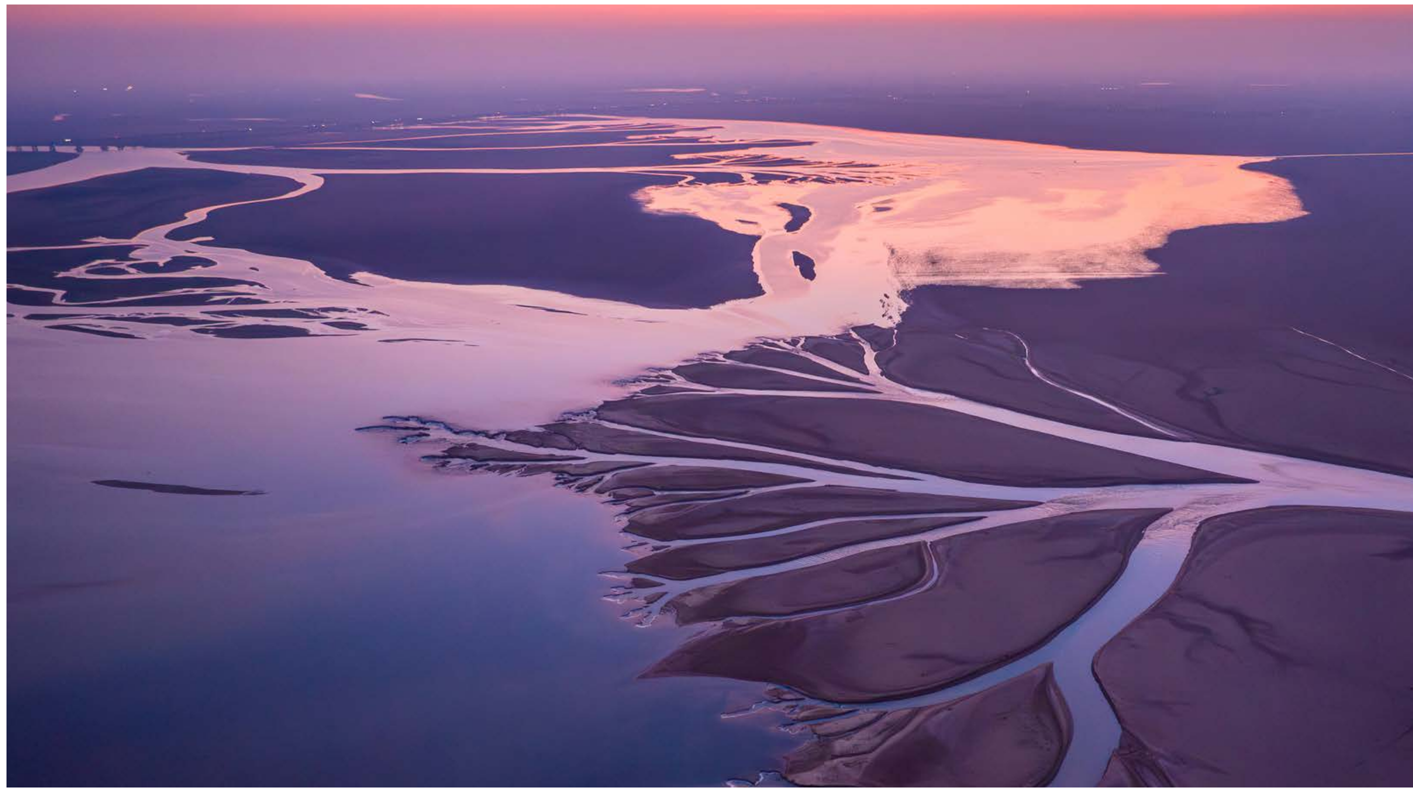
### STEWARDSHIP OUTCOMES

While we often work alongside other investors to drive change, we seek to identify instances where we have led engagement efforts and built coalitions behind our initiatives.

Examples outlined in **Principles 9-11** of 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. These efforts contributed to:

- Improved disclosure of climate risks in financial statements
- Changes to critical accounting assumptions, leading to asset impairments in several cases.

Additionally, at several companies where we previously voted against the chair of the nomination committee, we have since seen improvements in board diversity in 2024. Notable examples include Reckitt Benckiser, Amgen, DS Smith and Unilever.



## CASE STUDY: BLACKROCK. VOTING FOR NET-ZERO

### THE ISSUE

With $11.5 trillion in assets under management, Blackrock is the world's largest asset manager. As one of the largest shareholders globally (typically holding over 5% of listed companies[2]), BlackRock has a particular responsibility to hold companies accountable for their performance. The efficient functioning of markets depends on major asset managers like Blackrock fulfilling their ownership responsibilities thoughtfully.

In 2020, Blackrock's Executive Chairman, Larry Fink, committed to integrating climate-related risks and opportunities into the firm's investment analysis and stewardship activities. He emphasised that addressing climate risks is essential to fulfilling fiduciary duties, given the material impact of climate change on global prosperity. A key moment in Blackrock's climate efforts was its support for three dissident directors nominated by activist investor Engine No. 1 at ExxonMobil's 2021 AGM. All three directors were appointed.

However, while strengthening its sustainability capabilities, Blackrock has faced mounting anti-ESG pressures in recent years. In December 2024, the US House Judiciary Committee wrote to over 60 US signatories of the Net Zero Asset Managers (NZAM) initiative, alleging that NZAM facilitated collusion among asset managers "to impose radical ESG goals on American companies"[3]. Under pressure, BlackRock withdrew from NZAM on 9 January, and days later the initiative suspended operations.

### THE GOALS

Blackrock has been on Sarasin's Climate Amber List since 2019 due to its importance as a global shareowner. Given recent developments, we are keen to ensure that Blackrock maintains its focus on sustainability, and climate change in particular, as a core part of its fiduciary duty. Specifically, we seek to see:

- Increased allocation of Blackrock's assets to net zero-aligned products or strategies linked to net zero voting, reflecting its efforts to educate clients on the benefits of these approaches.
- Evidence that net zero voting options for clients result in votes against management and auditors where companies fail to take adequate action.
- A strengthened default voting policy to hold directors and auditors accountable for managing climate risks and the transition to net zero.

### WHAT WE DID

Sarasin initiated engagement with Blackrock in 2019. In 2020, we coordinated a collective investor letter to Larry Fink, calling for an explicit commitment to align with the Paris Agreement goals and a focus on ensuring investee company accounts also align – an issue central to our stewardship approach.

We engaged directly with key BlackRock representatives, including the Company Secretary, Chief of Staff to Larry Fink, Investor Relations and the Global Head of Investment Stewardship. We were pleased to see progress in both areas the following year (see below).

Throughout our engagement, we have implemented our *Net zero voting policy*, supporting our votes with post-proxy letters to the Executive Chair, outlining our rationale for opposing several directors and the auditor. We have raised our concerns over BlackRock's governance and climate policies, urging the firm to go beyond merely requiring disclosures from investee companies and instead hold boards accountable for delivering net zero-aligned strategies and capital expenditure.

Our engagement with BlackRock has used voting as a key lever, while also emphasising the firm's responsibility to drive change through its own voting practices.

In December 2024, we sent a letter to BlackRock flagging our growing concerns over its retreat from climate commitments and its decision to appoint the CEO of Saudi Aramco to its board.

### OUTCOMES

Key advances by Blackrock over the years have included:

1. A more robust approach to voting on shareholder resolutions, including:
   - Supporting three dissident directors at ExxonMobil's 2021 AGM, proposed by Engine No. 1.
   - Backing resolutions calling for independently audited accounts to assess how ExxonMobil's financials would be impacted by a 1.5°C transition in 2021 and 2022.
2. Updates to its 2021 EMEA Voting policy, introducing expectations that:
   - Financial statements align with a sustainable future.
   - Directors articulate strategies consistent with a 'well below 2°C' pathway and net zero by 2050, with resilience to a 1.5°C transition.
3. Joining NZAM in 2021, demonstrating a commitment to aligning with net zero by 2050.

Despite withdrawing from NZAM, we note that:

- Sustainability-linked assets reached $1 trillion by the end of 2024, which is double the level 2021[4].
- The expansion of Voting Choice, Blackrock's initiative to return voting power to clients, saw nearly $600 billion opt into the scheme by the end of 2023.

In 2024, Blackrock launched a new decarbonisation stewardship service, integrating engagement with its net zero-aligned voting.

### NEXT STEPS

We will continue our dialogue with Blackrock in 2025 and apply our climate voting policy at their AGM. We will also consider further forms of escalation, particularly in light of the challenges of conducting stewardship in the US following the 2024 election.

[2] www.msci.com/www/blog-posts/equities-ownership/03284053218

[3] judiciary.house.gov/media/press-releases/judiciary-committee-probes-60-companies-over-esg-ties

[4] www.esgprofessionalsnetwork.com/blackrocks-sustainable-investments-now-over-1-trillion/?utm_source=chatgpt.com

## REPORTING: WE DISCLOSE OUR VOTING ACTIVITY

Every quarter, we publish a full record of all our company votes on our website, including the rationales for all votes against management, in addition to the Proxy Voting Dashboard, an online voting disclosure tool that allows users to view all our voting activity nearly in real time and filter votes by time period, fund or company.

We provide a quarterly summary of our key votes to clients, with additional updates on request (see **Principle 6**). These disclosures are also available on our website and through our online client portal.

### EXAMPLES OF KEY VOTES IN 2024

| COMPANY | DATE | RESOLUTION | HOW WE VOTED FOR YOU | RESULT |
|---|---|---|---|---|
| **J.P. Morgan Chase** | 21 May 2024 | Elect Director Phebe N. Novakovic | Against | Passed<br>For: 98.5% |

This vote was an escalation of our ongoing concerns regarding the lack of an independent auditor. As the audit committee chair is newly appointed, we chose to vote against other longer-standing audit committee members. Beyond concerns over auditor independence, we also lack visibility on whether material climate risks are being adequately factored into the financial statements, particularly in relation to expected credit losses and fair values.

Sarasin has engaged with J.P. Morgan Chase on these issues for more than two years, including through our 2023 post-proxy letter and a pre-AGM call with the investor relations team to discuss governance and climate concerns.

| COMPANY | DATE | RESOLUTION | HOW WE VOTED FOR YOU | RESULT |
|---|---|---|---|---|
| **Apple** | 28 Feb 2024 | Shareholder resolution: Report on median gender and racial pay gap | For | Failed<br>For: 31.1% |

Gender and racial pay gap reporting provides shareholders with insight into how a company addresses inequities related to gender and ethnicity. We generally support resolutions calling for greater transparency on these pay gaps, unless the proposal is structured in a way that would hinder progress.

While we acknowledge Apple's existing disclosures on pay equity, we continue to advocate for greater transparency in this area. We supported a similar resolution last year and reinforced this stance in our 2023 post-proxy letter.

| COMPANY | DATE | RESOLUTION | HOW WE VOTED FOR YOU | RESULT |
|---|---|---|---|---|
| **3i Infrastructure** | 4 Jul 2024 | Accept financial statements and statutory reports | Abstain | Passed<br>For: 99.7% |

While the annual report sets a strong example of climate risk and opportunity disclosure, we found no clear assurance that climate-related risks were appropriately reflected in the financial statements, limiting our ability to gain full confidence. We expect companies to disclose how critical accounting assumptions and estimates incorporate climate-related factors, such as asset lives, commodity prices, discount rates and contingent liabilities. Given the generally strong annual report disclosure, we chose to abstain rather than vote against. However, if future financial statements fail to include key climate-related accounting assumptions, we will vote against the proposal at the next opportunity.

| COMPANY | DATE | RESOLUTION | HOW WE VOTED FOR YOU | RESULT |
|---|---|---|---|---|
| **Microsoft** | 10 Dec 2024 | Report on risks of operating in countries with significant human rights concerns | For | Fail<br>Against: 68% |

Shareholders are requesting that the company publish a report on its data centre operations in countries with significant human rights concerns, along with its strategies for mitigating associated risks.

While Microsoft has made commitments to upholding human rights and provides periodic reports, we believe greater due diligence is needed. This should include identifying at-risk operations, conducting comprehensive risk assessments and disclosing key findings. As a result, we have voted in favour of this shareholder proposal.





## FIXED INCOME

Although creditors do not have voting rights at company AGMs, they exercise bondholder rights and responsibilities in several ways:

### PRE-ISSUANCE ENGAGEMENT

Before a bond is issued, creditors engage with issuers to assess key aspects of the issuance. As outlined in **Principle 9**, we frequently meet with management to discuss the prospectus, as well as other key agreements such as indentures, security trust deeds and intercreditor agreements. These define terms relating to:

- Coupon payments.
- Redemption terms.
- Covenants, including debt leverage limits.
- Reporting schedules.
- Issuer and bondholder rights.
- Voting rights for amendments.

In these discussions, we assess creditworthiness, management strategy and disclosure commitments. ESG factors also play a role, particularly for green bonds, where we closely scrutinise the use of proceeds and integrate ESG analysis into our investment decision.

### VOTE ON MAJOR CORPORATE ACTIONS

Creditors can vote on major corporate actions, which serves as a key point of influence. Approval thresholds are typically around 75%, making bondholder votes crucial in shaping outcomes.

We conduct detailed due diligence on any proposed amendments to indentures we hold, particularly when changes could weaken investor protections. Votes are determined on a case-by-case basis, ensuring the best outcome for our clients. For example:

- If an amendment offers an early tender at advantageous pricing or is due to accounting changes, we typically approve.
- If a proposal weakens bondholder protections, we may oppose it.

In 2024, we faced 12 corporate actions requiring votes, consenting to nine where the terms were beneficial to bondholders. If a corporate action is deemed immaterial, we do not vote to maintain liquidity, as securities are generally not tradable during corporate actions.

### ONGOING MONITORING AND ENGAGEMENT

As credit investors, we continuously review indentures in light of an issuer's creditworthiness to mitigate default risks and protect bondholder interests. Other factors include:

- Assessing the value of issuer assets backing bond indentures.
- Monitoring covenant compliance to avoid breaches
- Analysing issuer publications and conducting financial modelling.
- Engaging directly with issuers and the wider investment community.

By maintaining active monitoring and engagement, we ensure that bondholder rights remain protected and that issuers uphold their financial and ESG commitments.

# APPENDIX

## APPENDIX 1
## LIST OF COMPANIES ENGAGED IN 2024

| COMPANY | GLAs |
|---|---|
| ADMIRAL GROUP PLC | 1 |
| AIA GROUP LTD | 5 |
| AIR LIQUIDE SA | 13 |
| ALPHABET INC-CL A | 9 |
| AMAZON.COM INC | 20 |
| AMGEN INC | 7 |
| APPLE INC NPV | 6 |
| ASML HOLDING NV | 2 |
| ASSOCIATED BRITISH FOODS PLC | 1 |
| ASTRAZENECA PLC | 2 |
| B&M EUROPEAN VALUE RETAIL SA | 1 |
| BARCLAYS PLC | 1 |
| BARRATT DEVELOPMENTS PLC | 1 |
| BELONG LIMITED | 2 |
| BIOPHARMA CREDIT PLC | 1 |
| BLACKROCK INC | 6 |
| BRITISH TELECOMMUNICATIONS PLC | 1 |
| BROADCOM INC | 2 |
| CISCO SYSTEMS INC | 4 |
| CME GROUP INC | 6 |
| COLGATE-PALMOLIVE CO | 5 |
| COMPASS GROUP PLC | 7 |
| COSTCO WHOLESALE CORP | 3 |
| CVS GROUP PLC | 2 |
| DEERE & CO | 7 |
| DIAGEO PLC | 1 |
| DS SMITH PLC | 7 |
| DSM-FIRMENICH AG | 4 |
| ECOLAB INC | 4 |
| ELECTRICITE DE FRANCE SA | 4 |
| ELF BEAUTY INC | 4 |
| ELI LILLY & CO | 4 |
| EQUINOR ASA | 29 |
| ESSILORLUXOTTICA | 6 |
| FORTINET INC | 10 |
| GIVAUDAN-REG | 4 |
| GREENSLEEVES | 2 |
| GRESHAM HOUSE ENERGY STORAGE FUND | 26 |
| GSK PLC | 1 |
| HALEON PLC | 2 |
| HALMA PLC | 3 |
| HOME DEPOT INC | 6 |
| HOME REIT PLC | 9 |
| HOWDEN JOINERY GROUP PLC | 2 |
| HSBC HOLDINGS PLC | 13 |
| HYDRO ONE LTD | 2 |
| IBERDROLA SA | 3 |
| IMI PLC | 1 |
| ING GROEP NV | 12 |
| INTERCONTINENTAL HOTELS GROUP | 4 |
| INTERTEK GROUP PLC | 2 |
| JPMORGAN CHASE & CO | 17 |
| KEYENCE CORP | 5 |
| KONINKLIJKE AHOLD DELHAIZE N | 4 |
| LEGAL & GENERAL GROUP PLC | 10 |
| LIFE SCIENCE REIT PLC | 2 |
| LLOYDS BANKING GROUP PLC | 3 |
| LONDON STOCK EXCHANGE GROUP | 8 |
| L'OREAL | 4 |
| LVMH MOET HENNESSY LOUIS VUITTON | 10 |
| M&G PLC | 1 |
| MASTERCARD INC - A | 3 |

APPENDIX

## APPENDIX 1
## LIST OF COMPANIES ENGAGED IN 2024 (CONTINUED)

| COMPANY | GLAs |
|---|---|
| MEDTRONIC PLC | 3 |
| MERCADOLIBRE INC | 10 |
| MERCK & CO. INC. | 3 |
| META PLATFORMS INC-CLASS A | 19 |
| MICROSOFT CORP | 3 |
| MIDDLEBY CORP | 3 |
| MOODY'S CORP | 8 |
| NOTTING HILL GENESIS | 2 |
| NVIDIA CORP | 6 |
| OTIS WORLDWIDE CORP | 2 |
| PARTNERS GROUP HOLDING AG | 4 |
| PEABODY CAPITAL | 2 |
| PFIZER INC | 2 |
| PLACES FOR PEOPLE HOMES LTD | 1 |
| PROLOGIS INC | 5 |
| PRUDENTIAL PLC | 4 |
| RECKITT BENCKISER GROUP PLC | 8 |
| RELX PLC | 2 |
| RENEWABLES INFRASTRUCTURE GROUP | 2 |
| RIO TINTO PLC | 13 |
| ROSS STORES INC | 6 |
| SAMSONITE INTERNATIONAL SA | 7 |
| SCHNEIDER ELECTRIC SE | 2 |
| SEQUOIA ECONOMIC INFRASTRUCT | 5 |
| SERVICE CORP INTERNATIONAL | 5 |
| SERVICENOW INC | 2 |
| SIEMENS AG-REG | 9 |
| SIEMENS HEALTHINEERS AG | 3 |
| SMITH & NEPHEW PLC | 4 |
| SSE PLC | 2 |
| SYNCONA LTD | 2 |

| COMPANY | GLAs |
|---|---|
| TAIWAN SEMICONDUCTOR-SP ADR | 7 |
| TAKEDA PHARMACEUTICAL CO LTD | 1 |
| TESCO PLC | 2 |
| THERMO FISHER SCIENTIFIC INC | 4 |
| UNILEVER PLC (EUR) | 10 |
| UNITEDHEALTH GROUP INC | 13 |
| US SOLAR FUND PLC | 22 |
| VODAFONE GROUP PLC | 3 |
| WALT DISNEY CO/THE | 3 |
| WEIR GROUP PLC/THE | 1 |
| ZOETIS INC | 7 |
| **GRAND TOTAL** | **568** |

## APPENDIX 2
## ABBREVIATIONS

| | |
|---|---|
| AGM | Annual General Meeting |
| CA100+ | Climate Action 100+ collaborative engagement initiative |
| CAL | Climate Amber List, includes our investee companies most exposed to climate risks |
| CEO | Chief Executive Officer |
| CFO | Chief Financial Officer |
| CMG | Sarasin Conflict Management Group |
| CVaR | Climate Value-at-Risk, Sarasin's proprietary approach to quantify the potential valuation consequences of a 1.5°C-pathway for higher risk equity holdings |
| DDQ | Due Diligence Questionnaire |
| DEI | Diversity, equity and inclusion |
| ESMA | European Securities Market Authority |
| FAIRR | Farm Animal Investment Risk and Return |
| FCA | UK Financial Conduct Authority |
| FRC | UK Financial Reporting Council |
| FV | Fair Value |
| GLA | Goal-Linked Activity, any type of engagement interaction with the company on a single goal. |
| IAASB | International Audit and Assurance Standards Board |
| IAESB | International Audit Ethics Standards Board |
| IAHR | Investor Alliance on Human Rights |
| IASB | International Accounting Standards Board |
| IFRS | International Financial Reporting Standards |
| IIGCC | Institutional Investors Group on Climate Change |
| ISS | Institutional Shareholder Service |
| LTIP | Long-term Incentive Plan |
| NESO | National Energy System Operator |
| NZAA | Net Zero Alignment Assessment |
| NZAM | Net Zero Asset Managers Initiative |

## APPENDIX 2
## ABBREVIATIONS (CONTINUED)

| | |
|---|---|
| PRA | Prudential Regulation Authority |
| PRI | Principles of Responsible Investment |
| RFP | Request for Proposal |
| SEC | U.S. Securities and Exchange Commission |
| SIM | Sustainability Impact Matrix, Sarasin's proprietary ESG assessment framework |
| SRD II | European Shareholder Rights Directive |
| SSC | Sarasin Stewardship Steering Committee, a governance body for stewardship activities |
| TCFD | Taskforce for Climate-related Financial Disclosures |
| TPI | Transition Pathway Initiative |
| TSR | Total Shareholder Return |
| WBA | World Benchmarking Alliance |



APPENDIX

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