SARASIN
& PARTNERS

POLICY OUTREACH AND COMPANY ENGAGEMENT

Q2 2025

INTRODUCTION

Investors in companies have an important shared responsibility in holding the board to account for the management of the business.

On behalf of our clients we are active in voting on matters put to shareholders, and we closely monitor investee companies and engage on issues of concern relating to corporate governance, capital structure and strategy. We do this because we believe that poor governance can adversely affect the returns for investors and, equally, good stewardship can lead to better returns over the long term.

As long-term investors, we also take an interest in the broader market environment in which companies operate. Where we perceive problems, and believe we can catalyse positive change, we will reach out to policy-makers and other key market participants to promote reform. Our objective is to shape the regulatory and market environment to support more sustainable economic growth.

Given the emphasis we place on responsible and active ownership, we aim to communicate openly with our clients and other interested parties about our activities. This report offers a window into our recent company engagement, policy outreach and voting activities.

POLICY AND COMPANY ENGAGEMENT

LARGE ASSET OWNERS URGING MANAGERS TO STAY FOCUSED ON CLIMATE CHANGE

As the US Government turns its back on climate action, and governments more broadly struggle to muster the political will to drive decarbonisation, a key question will be whether the market will find solutions.

Two recent public statements from prominent asset owners in the United States and United Kingdom are cause for cautious optimism. In both cases, the asset owners set out a clear commitment to combat climate change in order to deliver long-term returns for their beneficiaries.

The first statement, issued in February by a coalition of leading UK asset owners - including Brunel Pension Partnership, The People's Pension, NEST, and Scottish Widows - set clear expectations for asset managers on climate stewardship. These included robust engagement, voting aligned with climate goals, and the importance of 'systemic stewardship' - i.e. public outreach to accelerate system change.

In the United States, the New York City Comptroller - on behalf of three major public pension funds with $280 billion in assets - issued a similar statement reaffirming its commitment to holding asset managers accountable for alignment with net zero goals.

The NYC Comptroller set out its case clearly: "...we know that climate risk is financial risk... This is our moment to act."

These asset owners have captured asset managers' attention. But ultimately, it will be decisions to move capital based on climate performance that will drive lasting change.

MARKET OUTREACH: US AUDIT QUALITY UNDER THREAT

Trump's Big Beautiful Bill Act wending its way through Congress is ruffling feathers. One particularly nasty gremlin lurking within was a proposal to abolish the US federal audit regulator, the PCAOB, and transfer its functions to the Securities and Exchange Commission (SEC). Aside from the fact that it was not clear how this would reduce federal spending (which was the stated intent), the proposal flew in the face of long-standing bipartisan support for a robust regulator to ensure high quality audits.

The PCAOB was introduced following the collapse of Enron linked to a massive and multi-year fraud; it has been associated with falling corporate failures and rising audit quality.

As a long-standing champion for robust audit to safeguard investor interests, we published a statement on our website raising the alarm and calling on investors and auditors to advocate for the proposal to be retracted. We raised our concerns also at a public meeting of the International Accounting and Audit Standards Board's Stakeholder Advisory Council in New York and have supported letters to Congress led by the International Corporate Governance Network and the CFA Institute.

At a time when investor rights are under threat from a number of directions, we were pleased to see the Senate respond. In June, the Senate Parliamentarian ruled the provision to fall foul of the Byrd Rule - designed to prevent significant policy changes from being enacted under the guise of budgetary measures without proper congressional oversight.

While this is a positive outcome for now, we anticipate continued efforts to weaken the audit regulator's powers. We remain committed to exploring all avenues to safeguard the PCAOB's independence and ensure high audit standards are maintained.

MARKET OUTREACH: ACCOUNTING STANDARDS RISING

While auditors are charged with policing company accounts, it is the accounting standards that provide the framework on which financial statements are built.

This quarter we welcomed an important step forward by the IASB, the body responsible for setting International Financial Reporting Standards (IFRS). On 16 June, the IASB issued a statement confirming that it has approved "Illustrative Examples for the treatment of Climate-related and Other Uncertainties in the Financial Statements", with a final version due in October.

This marks an important step in addressing a disclosure gap in companies' financial statements on climate risks. By demonstrating how climate-related changes in markets or factors of production should be captured under existing IFRS, the examples should catalyse improved climate-related financial disclosures. Importantly, the IASB's examples underscore the relevance of climate factors beyond the usual suspects, such as oil and gas companies.

Over the pond, the US accounting standard setter, the FASB, is consulting on what it might do to improve transparency and consistency. We made two submissions:

1. We coordinated a response from 11 investors representing $1.5 trillion in AUM calling for enhanced disclosure of critical accounting

POLICY AND COMPANY ENGAGEMENT– CONTINUED

assumptions, clearer materiality guidance, stronger consistency between financial and non-financial reporting, and improved visibility on Asset Retirement Obligations. The submission aligned with our October letter to the SEC, which was copied to the FASB.

2. A Sarasin-only response focused on the need for greater transparency regarding human capital, a critical but underreported driver of long-term value.

Both submissions will be publicly available on the FASB website.

COMPANY ENGAGEMENT: LINDE

Linde is a global leader in the supply of industrial gases. While not a household name, it supplies a wide range of consumer-facing businesses from heavy industry to beverages and healthcare. While among the most carbon-intensive businesses, Linde is also a key enabler of the energy transition, helping decarbonise key sectors.

Notwithstanding its investment credentials, as part of our ongoing monitoring, in late 2024 we identified concerning practices at healthcare subsidiary Lincare. Acquired in 2012, Lincare admitted to serious misconduct in 2024 - including fraud, kickbacks, and customer mistreatment - as part of a DOJ settlement. Despite the severity, Linde provides limited disclosure on Lincare and makes no mention of the issue in its annual report to shareholders.

Following analysis, we downgraded Linde's ESG score (under our in-house Sustainable Impact Matrix), reduced our position, and wrote to the Chair in January outlining expectations for better disclosure and stronger internal controls. Though Lincare represents under 10% of Group sales, we are concerned reputational damage may impact market share or trigger legal action. Lincare also remains under a Corporate Integrity Agreement, requiring close oversight and exposing it to elevated sanctions if misconduct recurs.

In a June response, Linde's Chair outlined steps taken to refresh leadership and strengthen controls. We continue to press the Chair to go further and will reflect our concerns in upcoming AGM votes in July.

COMPANY ENGAGEMENT: UNITED HEALTH GROUP

In the first half of 2025, several concerns were raised at UnitedHealth, the largest US health insurance company, including: social media criticism over how often they refuse to pay members' medical bills, a DOJ fraud probe, and mounting legal and regulatory pressure. Earnings fell, and by mid-year, the company withdrew its full-year revenue guidance and Andrew Witty stepped down as CEO, signalling rising uncertainty and operational strain.

In response to these concerns, we downgraded UnitedHealth's ESG score for Board Structure & Effectiveness, conducted deeper analysis and held multiple expert calls. We reached out to seek a call with the CEO and Chair Stephen Hemsley to discuss our concerns over the company's governance and approach to denials.

While we have not yet been able to speak to Mr Hemsley, we held a call with investor relations in June. The discussion gave us some insight into the issues UnitedHealth has been facing regarding risk coding errors, the DOJ investigation into risk coding fraud, and its approach to claim denials.

We are seeking further clarity on the matter of claim denials from a customer care perspective and have encouraged the company to enhance reporting, where industry data is widely lacking. We reflected our governance and customer care concerns in our 2025 voting and continue to monitor the broader company situation and seek further expert input.

COMPANY ENGAGEMENT: META

In 2023 and 2024, we raised governance and ethical AI concerns with Meta. We led a $3.6 trillion investor coalition urging greater transparency, particularly around AI-related misinformation, content moderation, and child protection. Despite follow-ups, key issues remain unresolved and Meta provided limited responses. In 2025, further concerns emerged, including changes to content moderation policies, questionable board appointments, and leadership changes.

We also led a coalition letter raising concerns over content moderators' working conditions and mental health, outlining key asks: subcontractor oversight, mental health support, living wages, and reduced exposure to harmful content - citing lawsuits in Kenya, Ghana, and Spain.

To escalate efforts, we pre-declared our AGM votes - opposing 5 of 15 directors and supporting 8 of 9 shareholder resolutions.

Sarasin serves on the Global Network Initiative (GNI) which assesses companies on freedom of expression and privacy and is reviewing Meta this year. Meta rejected a proposed case study on government-coerced moderation. We have launched an appeal and await a response.

Further details are available upon request.

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