

# POLICY OUTREACH, COMPANY ENGAGEMENT

Q4 2025

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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

Our engagement work with companies and in the broader market aims to address governance failures, strategic challenges and other market imperfections, with a view to protecting and enhancing shareholder value. We are pleased to share with you some of our engagements from the last quarter. If you wish to delve into more detail, you will find links to further analysis and presentations below.

### MARKET OUTREACH: CLIMATE-AWARE FINANCIAL STATEMENTS

Since 2018, Sarasin & Partners has led calls for companies and auditors to integrate the material consequences of climate change into financial reporting and auditing. Until we account properly for the real-world impacts of climate change and transition, we will lack the necessary information to manage these risks.

We are, therefore, pleased to report that the Investor Expectations for climate-aware accounting was re-launched in December; we worked with the Institutional Investors Group on Climate Change (IIGCC) to [publish this initially in 2020](#). The [refreshed report](#) reflects changes in the regulatory environment, accounting standards and market practice, and reaffirms investor expectations that finance directors, auditors and company audit committees integrate material consequences of climate change and decarbonisation into companies' financial statements. Whether we consider an auto manufacturer faced with the electrification of transport; an oil and gas company forecasting future demand for gas to power grids; or a bank considering whether to offer mortgages in flood prone regions, a failure to consider global warming and/or decarbonisation could result in hidden risks building in company balance sheets.

The publication of these Investor Expectations comes on the heels of the publication of the International Accounting Standards Board's (IASB) final ["Illustrative Examples"](#) for how material climate-related factors should be considered under existing International Financial Reporting Standards (IFRS). The decision to press ahead with publication is consistent with our long-standing [advocacy](#) for the IASB to provide clearer guidance to companies. The examples form part of IFRS and are effective immediately.

### NZAM UPDATE

Since the publication of our [2022 NZAM Action Plan](#), and our [2024 update](#), we have continued to embed climate considerations across our investment processes and stewardship activities. Our net-zero approach is engagement-led, focusing above all on pressing

companies and other key stakeholders to pivot to a Paris-aligned trajectory.

Over the past year, while disclosure and data quality continued to improve in key markets like the EU and UK, the geopolitical context for efforts to combat climate change has become more challenging. The NZAM initiative suspended its activities in January 2025, pending a review. Meanwhile, evidence of climate change has increased, with 2024 confirmed as the first calendar year where the average global temperature clearly exceeded 1.5°C above preindustrial levels.

Against this backdrop, we have [publicly reaffirmed](#) our commitment to support the Paris Climate Agreement goals.

### NEW HUMAN & LABOUR RIGHTS POLICY

Human rights risks have become increasingly material for companies and long-term investors alike.

Supply chain complexity, regulatory scrutiny, reputational risk, and shifting geopolitical pressures mean that businesses must be able to demonstrate robust human rights practices.

New and expanding legislation is increasing expectations on companies to identify and address risks across their value chains. Non-compliance can result in fines, legal liability, exclusion from procurement contracts, and reputational damage.

Against this backdrop, Sarasin & Partners has introduced a formal [Human and Labour Rights Policy](#). The policy brings human rights and labour rights together within a single framework. It reflects in-house expertise and provides a clear articulation of what we expect from companies. Our [newest Insights](#) piece explains the policy and sets out how we utilise it through recent engagement examples.

### COMPANY ENGAGEMENT: MASTERCARD

Mastercard is a global payments network enabling electronic transactions worldwide. Our engagement has focused on a number of important governance concerns, including: board tenure and over-boarding, resistance to audit firm rotation, limited disclosure of forward-looking Long-Term Incentive (LTI) targets and Short-Term Incentive modifiers, and the choice of LTI metrics, including the exclusion of Return on Invested Capital.

This quarter we held an introductory engagement with members of Mastercard's management team, challenging the above governance practices, while also discussing the company's approach to Artificial Intelligence (AI) and associated risks.

## > POLICY AND COMPANY ENGAGEMENT – CONTINUED

While Mastercard demonstrated openness to dialogue, it defended current governance practices on director tenure, auditor rotation, and incentives design and disclosure. The discussion nevertheless clarified governance principles, confirmed management's awareness of AI-related opportunities and risks, and established a foundation for ongoing engagement.

#### **COMPANY ENGAGEMENT: KEYENCE**

Keyence is a Japanese company supplying high-margin factory automation, inspection, and measurement solutions. We see Keyence as a leader in machine-vision technology, enhanced by AI, enabling it to drive strong margins and cash flow.

Nevertheless, we believe it could unlock additional long-term value by addressing key governance weaknesses, notably opacity around operational performance and capital allocation, low shareholder returns (i.e., dividends), share accessibility, poor board diversity and independence, and a lack of accountability on executive remuneration. In our follow-up engagement this quarter, we reinforced our expectations on these topics.

Keyence acknowledged consistent investor pressure and the need for clearer capital allocation communication. It had also responded with a welcome increase in dividends earlier in the year. Looking ahead, the company has indicated that a stock split is under consideration. Management also recognised rising expectations on diversity and agreed to review peer disclosure examples that we suggested to share.

## **> KEY VOTES**

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