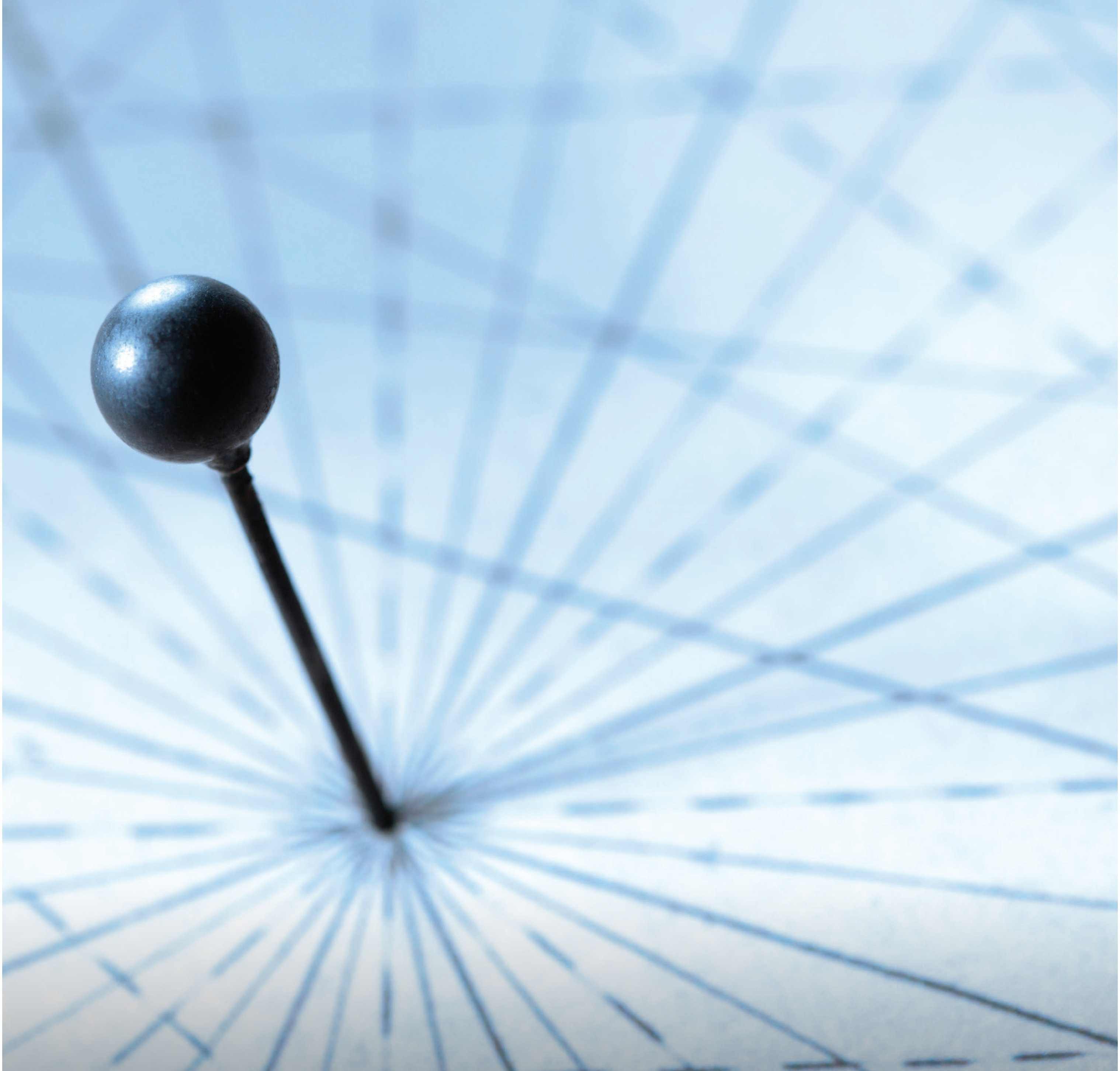
SARASIN

Our framework for implementing responsible stewardship



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What responsible stewardship means to us and how we implement it

At Sarasin Asset Management, we consider ourselves long-term stewards of our clients' assets. We take this responsibility seriously, and invest according to a set of core underlying principles.

Core stewardship principles

Our aim is to deliver enduring value for our clients across market cycles. When we invest on behalf of our clients, **we look to the long-term prospects** of a company. We purchase shares where there is a case for enduring value creation, and where this is currently underappreciated by the market.

We also believe that **responsible companies will tend to create more durable economic value.** Specifically, we favour businesses that articulate compelling long-term strategies, and take seriously their responsibilities to their customers, staff, local communities, the environment, and their shareholders.

Once we become shareholders, on behalf of our clients, **we believe it is important** to remain close to the executives and the Board of Directors. Stewardship is as much about responsible ownership as a considered approach to selecting companies.

Of course, we understand that the world is complex, and standards, rules and expectations vary between countries and communities, and the potential for unintended consequences is high. Our core investment principles guide our approach to investment and stewardship, but we avoid hard and fast rules in implementation, preferring a **pragmatic approach**.

We also believe that our clients' long-term interests are not best served by a narrow focus on relative performance against a market index. **Performance goes beyond beating a benchmark:** positive absolute performance achieved by the whole market also matters. Where we believe we can play a positive role in boosting broader performance through improved government or market-wide policies we will seek to catalyse policy change.

From principles to practice – three pillars of stewardship

We put these principles into practice through our three stewardship pillars, as outlined below.

Pillar 1

A robust thematic global investment process focused on long-term value drivers

We aim to buy shares in (or bonds from) companies that benefit from our identified 'global opportunities', stemming from global demographic shifts to resource scarcity, and the technological responses and policymaker reactions to this changing world. Further, we seek companies embodying our 'corporate themes' (company characteristics able to drive long-term performance), displaying credible strategies to transform these strengths into enduring value, and demonstrating the robust governance structures that will protect shareholders' and creditors' interests.

Environmental and social factors are considered alongside other value drivers in determining a company's 'investment case' or 'risks to investment'. We believe that companies' long-term success depends on strategies that sustainably deliver goods/services valued by customers, such that companies earn an attractive return, maintain their license to operate and prosper. A company's relations with core stakeholders, from employees, to suppliers, to regulators, to local communities to other groups that are impacted by (and may impact) the company's operations, as well as its environmental performance, are important considerations.

Pillar 2

Engaged ownership

Once we have bought a stake in a company, we stay close to it. We monitor the business's strategic outlook and performance, its critical value drivers to ensure their persistence, and our conviction in the stock's long-term value proposition. We also vote our shares responsibly. A considered approach to voting is vital not just because it is a key avenue through which we can express our views, but also because it supports our relationships with the company's Board of Directors and executives.

Our votes are guided by our Corporate Governance and Voting Guidelines, but we may diverge from these Guidelines with good reason.

While we aim to invest in companies where we believe executives are acting in our clients' long-term interests, where we perceive material risks to capital, or have concerns regarding the outlook, we will not hesitate to engage with the Board and/or senior executives. As far as possible we report publicly on our engagement activity*. Where our interests are aligned with other shareholders, and we believe we will have greater impact by working with others, we may engage companies as part of a larger group of investors.

Our intention is to purchase shares for the long-term, but where events unfold in such a way that the investment case is fundamentally weakened, or the share price rises to unsustainable levels, we will sell the company's shares.

Pillar 3

Thought-leadership and policy outreach

Where we find that there are macro or sector-level practices or policies negatively impacting prospects for sustained value creation, and where we believe we can contribute to change, we will seek to do so.

Government and other market-wide policies and regulation have a direct bearing on long-term economic growth, as well as the potential for companies to generate economic returns within particular sectors. Where these policies are not aligned with – or damage – sustainable growth, this can impinge on companies' prospects and long-term investment performance. Indeed, a small change in macro-level policy can have a larger impact for the long-term earnings generated by a business than shifts in a company's operational performance or strategy.

Consequently, it is our view that policy outreach is an important part of a holistic approach to delivering long-term value to our clients. Where appropriate, we will seek to work closely with other like-minded shareholders, since this increases the weight of our voice.

It should be emphasised that we are not interested in lobbying for changes to regulations that favour just one sector or one company over another. Our interest lies in ensuring a stable macroeconomic environment that fosters sustainable economic growth and shareholder returns. In this sense, our aims should be well aligned with that not just of our clients, but also of the broader public, and our voice should be a force for positive change.

* In the case of segregated accounts, clients may decide to vote differently.

Our stewardship approach is more than the sum of its parts

The three pillars of our stewardship approach offer valuable opportunities for cross-fertilisation. For example, our understanding of global trends should feed into our 'policy radar' and outreach, as well as our dialogues with the companies we own. Likewise, our policy outreach may in turn have a material impact upon our companies, and inform our understanding of macroeconomic trajectories, our corporate themes and new investment opportunities.

Our approach to stewardship leverages unique insights gained from taking a long-term and responsible approach to investment, ownership and policy outreach. For us, stewardship serves as a powerful underpinning philosophy that is focused on what really matters to our clients: the delivery of enduring value.

Ethical investing – a step further

Our core process does not systematically exclude any company from our investment universe unless it is involved with illegal weapons (cluster bombs, landmines, biological and chemical weapons). However, for clients who wish us to apply an additional layer of 'values-based' scrutiny, we offer 'socially responsible' or 'ethical' overlays to our core process, which exclude companies from our investment universe based on two further levels of analysis:

1. **Products excluded:** We ensure no investments are made in companies that derive a material amount of their business (normally 5% to 10% of sales) from activities deemed to be socially harmful. Examples include: pornography, gambling, tobacco, alcohol and armaments.
2. **Harmful ESG (environmental, social, governance) practices:** We apply a rigorous – and ethically driven – process to exclude companies that persistently engage in practices that cause needless social and environmental harm, or where we perceive egregious governance failures, and where we believe there is no potential for our engagement to improve practices.

With respect to the exclusion of companies with harmful ESG practices, we consider key ESG issues (like climate change, business ethics, and labour relations), and apply a higher bar looking beyond a focus on financial materiality. In many senses, whether something is financially material is a matter of judgement, and overtime immaterial ESG factors may become material. We keep a close watch on these issues.

For more information on our responsible stewardship approach, please contact your client manager or visit www.sarasinassetmanagement.com
Additional information on our investment services can be found in SAM's Form ADV Part 2, which is available on request.

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