SARASIN
& PARTNERS

Policy outreach and company engagement

Q2 2026

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Introduction

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.

Policy and company engagement

System change: Pass-through voting
As passive investing has grown, so has a stewardship problem: voting rights typically sit with the index fund manager, not the underlying investor. For an investor like Sarasin, this risks our voting policies being overridden by managers who, in 2025, supported management on average for 98.7% of resolutions.

Pass-through voting addresses this directly by passing voting rights back to the beneficial owner. Working with UK fintech Tumelo and its ProxySphere platform, Sarasin has secured one of the first approvals to apply our voting policy on a State Street MSCI ACWI passive fund, meaning clients can now access passive market exposure without sacrificing stewardship integrity.

This is an early but significant step, and we are working to extend coverage across additional passive managers. The tools to reunite passive investment with active ownership now exist, and we intend to use them.

System change: Banks need to build resilience to climate risks
This quarter, Sarasin led a collective investor letter to the UK's Financial Reporting Council (FRC) asking for a review of HSBC's 2025 Financial Statements and PwC's audit of those accounts. The concern is that, at a time of rising climate risk and accelerating decarbonisation, a failure to account for probable losses or liabilities could put capital at risk. Worse still, by not properly pricing climate risks, HSBC will likely exacerbate future climate change, harming long term capital resilience.

Our letter to the FRC follows three years of engagement with HSBC and its auditor, and highlights a concern for all banks. While attention today is turning to unpredictable geopolitics, climate risks continue to grow, and prudential regulators are highlighting weaknesses in banks' identification and management of these risks. This is true despite banks themselves generally identifying climate change as a 'Principal Risk' in Annual Reports.

The safety and soundness of the financial system rests on prudent forward-looking accounting. Through our letter to the FRC, we hope to catalyse closer scrutiny of this matter, not just by HSBC and its auditor PwC, but by all banks and auditors.

System change: Audit is for investors. Audit standards should be too
Auditors are like structural engineers, checking there are no leaks that might destroy a dam. It's when audit fails that we notice. And the consequences can be devastating.

Despite its importance, investors take little interest in audit standard setting. As a member of the International Audit and Assurance Standards Board (IAASB) and the International Ethics Standards Board for Accountants (IESBA) Stakeholder Advisory Group, this quarter we have sounded the alarm in a public submission, proposing four concrete actions, including:

— **An Investor Accountability Standard** that gives investors genuine insight into the audit and meaningful levers to act on it.

— **An Audit Firm Governance Standard** that brings the transparency and internal controls expected of any public-interest entity to audit firms themselves.

— **Housing both in an expanded set of Audit Governance, Accountability & Ethics Standards**, shifting the emphasis towards governance and accountability.

— **Move audit standard-setting to an independent multilateral body**, such as the International Organisation of Securities Commissions (IOSCO) or the International Federation of Independent Audit Regulators (IFIAR), properly resourced and funded by governments.

At the heart of all our proposals is the need to tackle conflicts of interest that undermine auditors' accountability to investors and which we believe are undermining the independence of the standard setting system. We hope our proposals spark a healthy debate and bold action.

System change: Sarasin at london Climate Action Week
These days Climate Action Weeks hardly make the headlines.

However, the week was marked by a sense of both rising urgency and also optimism around climate solutions. We participated in three events, each of which offered windows into globally significant initiatives:

— **Physical risks are real but company modelling is not:** ACCR, the Australian think tank, hosted a closed-door roundtable to share important work exposing weaknesses in economic modelling of climate change science. This work is critical in explaining widespread complacency and will better equip investors to challenge company inaction (as we see with banks – see above).

— **If you know you will cause harm, don't fire the bullet:** This was the key message from a group of leading judges and lawyers who attended the Net Zero Lawyers' Alliance event in London's Inner Temple. Speaking on a panel focusing on a forthcoming report on Fiduciary Duty and Climate Change, Sarasin outlined the key of asset managers and asset owners in robustly engaging and voting to hold companies accountable.

— **From black molecules to green electrons:** If you ever needed hard evidence of the clean energy transition, it would be hard to beat the research group Ember's line up at their event Energy after Fire. Senior Executives from leading energy companies from Octopus Energy (the UK's largest power company), CATL (the world's largest and most innovative battery manufacturer), Gurin Energy (developing renewables projects across Asia) and Iberdrola (Europe's largest renewable energy company) stood up one-by-one, detailing technological breakthroughs and cost reductions, accelerating investment and demand for clean energy.

Carbon measures initiative technical expert panel
We are pleased to report that Natasha Landell-Mills, Head of Stewardship, has joined the Carbon Measures Initiative-International Chamber of Commerce Technical Expert Panel on Carbon Accounting. Alongside 23 senior figures from industry, academia and multilateral agencies, the TEP has officially started its work to develop an international carbon accounting system that delivers a faithful representation of product-level emissions to underpin efficient decision-making, supporting sustainable long-term growth. We believe this offers an important intervention that can help lay the ground for effective carbon taxation and emissions-based contracts.

Systemic stewardship: Campaign for annual director elections
The members of the Campaign for annual director elections an investor collaboration, co-led by Sarasin and Rathbones and previously known as the Staggered Boards initiative, have sent letters to 33 companies with staggered or otherwise non-annual director elections. The letters urged the companies to transition to annual elections on the grounds of strengthening director accountability and shareholder rights. We also explained why the surrogate solutions, such as director discharge

votes, do not ensure the same results. The pushback in responses and calls with companies was consistent, with companies uniformly arguing that staggered board structures were supported by law in their respective jurisdictions. Only one call, with Siemens Healthineers, gave cause for cautious optimism.

This has led us to shift the campaign's focus towards policy engagement. The group has identified the following priority areas: outreach to the OECD, Corporate Governance Code commissions, and company law regulators in France and Germany. A letter to the OECD, addressed to the Director for Financial and Enterprise Affairs and the Chair of the OECD Corporate Governance Committee, has been drafted and is ready to be sent on behalf of the collaboration. German outreach is already under way, and Sarasin will participate in a call with the German Corporate Governance Code Commission on 13 July. Engagement with regulators in other countries will follow.

Company engagement: Uber technologies
Uber is the world's largest ride-hailing platform, operating across 70+ countries and serving hundreds of millions of users. From its origins disrupting urban transport, it has expanded into freight and food delivery. Just as Uber continues to transforms its industry, its growth and reach also mean it has a unique opportunity to support the accelerating shift to EVs and in so doing consolidate its position as a technological leader, offering customers cleaner, safer and ultimately cheaper rides. This is the case we are making to Uber's leadership.

Following a letter to the Chair in November, this quarter we held discussions with Investor Relations to explore Uber's integration of climate risks and opportunities into its financial reporting and planning. We noted new disclosures in their Annual Report confirming that the company is working on how sustainability-related risks and opportunities may affect its financial position, performance, and cash flows. The company has also published a scenario analysis covering three temperature pathways across Mobility, Delivery, and Freight, mapping four risk and opportunity categories — service impacts, carbon price exposure, EV adoption, and market access — with qualitative financial effect descriptions.

We will continue to engage the company on the strategic opportunity faster EV adoption could afford them.

Company engagement: BNP Paribas
BNP Paribas is one of Europe's largest banks. As with other banks, we see potential climate-related financial risks arising from its lending portfolio. We have also identified BNP as having elevated private credit exposures versus peers, which it has been mitigating through the use of Significant Risk Transfers (SRTs). Both private markets and SRT exposure is attracting the attention of prudential authorities.

BNP was also recently found liable for enabling atrocities committed in Sudan under the al-Bashir dictatorship, which the company is appealing. This opens the company up to a potential class action involving up to 20,000 claims.

In May, we wrote to Chair setting out our concerns, covering private credit, SRTs, climate, human rights due diligence, and broader governance practices, notably related to their staggered board structure, which we consider to impede shareholder accountability.

We held a detailed call with the company in June. While the Bank provided responses to each area raised, they provided little new information and were unwilling to engage in a free-flowing conversation. We welcomed, however, their offer to review how climate considerations are translating into actual financing decisions and to follow up on the integration of climate risk into capital adequacy assessments. On human rights, BNP outlined its sovereign risk assessment processes but did not address our core concern that disclosure on sovereign clients is lacking detail and appears to fall outside the scope of its formal Vigilance Plan. On the proposal to remove the staggered board structure, they pushed back on purely legalistic grounds.

We are following up and will continue to press the company on the topics covered.

Company engagement: Meta
Global Network Initiative (GNI), of which we are members, organised a Case Study Tabletop Exercise with Meta to assess whether the processes followed before and during Meta's January 2025 content moderation policy changes were consistent with Meta's previous independent assessment report, produced by Venable in summer 2025. The exercise was conducted pursuant to a decision of Meta's Board made in October 2025.

We marked this as a Milestone because an independent assessor had the opportunity to examine this specific decision-making process and test it against its own prior findings. The exercise surfaced weaknesses in Meta's decision-making and deviations from its own declared policies. These findings, together with the recommendations provided by investor members of the assessment committee, create an opportunity to avoid repeating the same failures.

Sarasin's principal concern, raised both during the discussion and in a subsequent written comment, was that Meta failed to demonstrate that its January 2025 decisions followed the human rights-sensitive decision-making processes described in the Venable report. Instead, Meta explained why alternative steps had been applied. While Meta cited discovered biases in fact-checkers and prior stakeholder engagement as rationale, it was unable to reference any specific documentation supporting these claims.

Our recommendations included strengthening decision-making processes to ensure alignment with GNI principles, and asking the independent assessor to clarify in the next Assessment Report which governance mechanisms were applied, when, and by whom, covering HR due diligence, internal escalation, stakeholder consultation, and Board involvement. We also asked about evidence of HR due diligence on the implementation of each of the four January 2025 changes, and whether any research has been conducted on the impact of Community Notes on misinformation levels in the US.

Finally, we noted that investor engagement has effectively been suspended – contrary to Meta's stated commitment to stakeholder consultation – as evidenced by the stalling of the Meta investor collaboration (30+ organisations, ~$5 trillion AUM) and the failure to follow through on engagement calls committed to by the company secretary office. A separate email on this matter was sent to leads of Meta's Human Rights Policy department.

To highlight our concerns, as well as our dissatisfaction with how shareholder engagement is organised at Meta, we pre-declared our votes for the 2026 AGM of Meta – including votes against seven of the twelve directors and against the auditor, EY, and support for nine of the ten shareholder proposals.

Company engagement: Keyence
A Milestone was achieved in our engagement with Keyence on capital structure optimisation when the company announced in April that it would seek shareholder approval to amend its Articles to permit board-approved acquisition of treasury shares –

providing greater flexibility in capital allocation and share buyback decisions. The proposal was approved by 95% of votes at the June AGM. The company's shares appreciated 14% on the news.

We also view positively the announcement that founder Takemitsu Takizaki will retire as a board director while retaining the position of Honorary Chairman. His long-standing preference for an exceptionally conservative capital structure, i.e., zero debt and a substantial cash balance, may have constrained the Board's flexibility; his transition away from a director role may allow the Board greater freedom to revisit that approach.

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