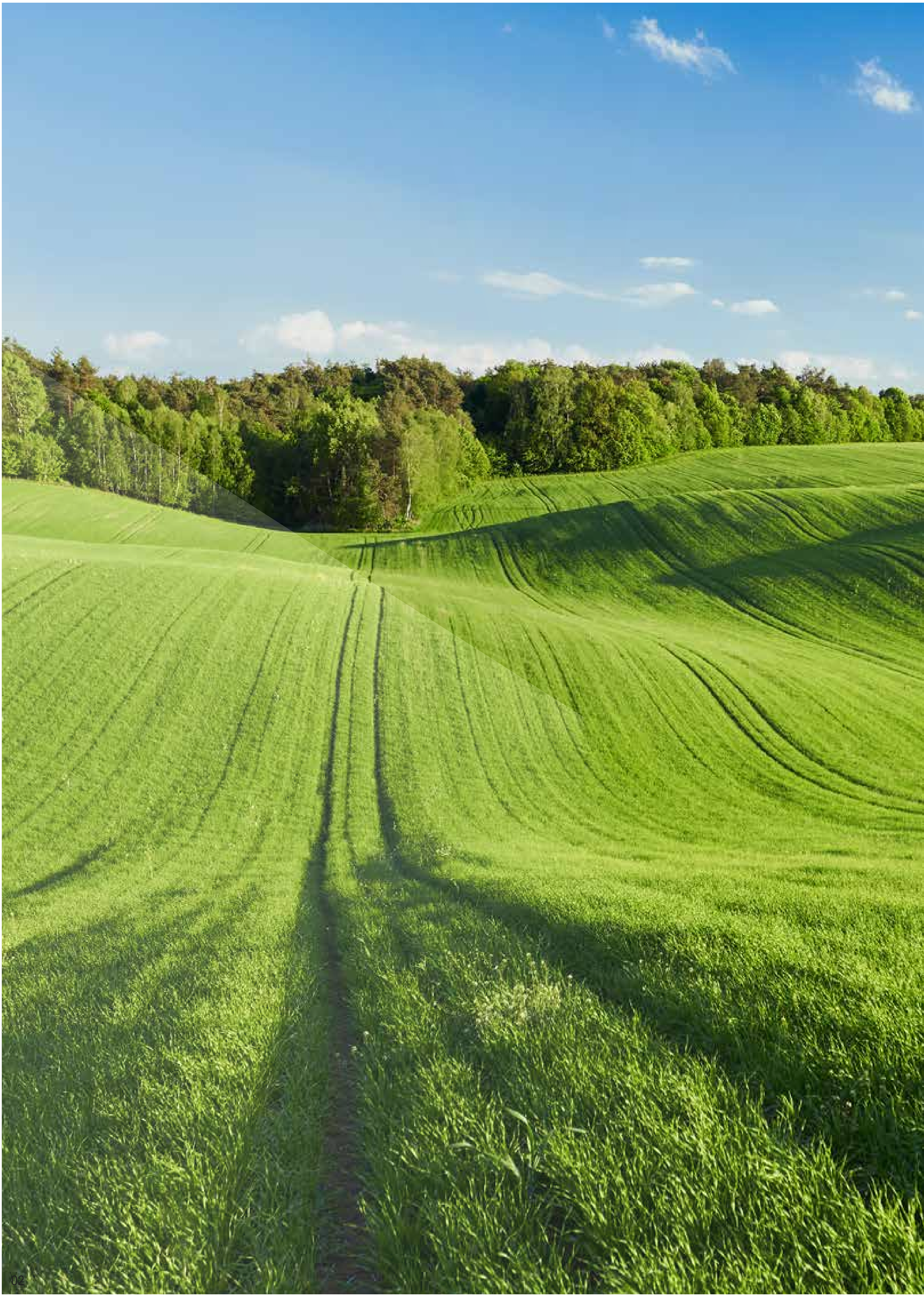
SARASIN
& PARTNERS

CORPORATE SOCIAL RESPONSIBILITY REPORT
2020



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WHAT WE STAND FOR

INTRODUCTION FROM CEO GUY MATTHEWS

As a company, we believe in securing tomorrow, through our thematic investment approach, our commitment to stewardship, and our long-term relationships with our clients.

We strive to place stewardship at the heart of everything we do: how we invest, how we interact with clients, how we treat our staff and suppliers, and how we conduct ourselves in the wider community.

This report serves as a way for us to measure our activities against these aims. There are areas in which we have made substantial progress, such as our commitment to the Net Zero Asset Managers Initiative, of which we are a founding signatory. The initiative will see 30 asset managers, representing over $9 trillion of assets, commit to work in collaboration with clients to achieve the goal of net zero greenhouse gas emissions by 2050 or sooner. There are also areas where we have room to grow and improve. By evaluating our choices and behaviours today, we hope to play our part in securing tomorrow. We welcome your scrutiny.

GUY MATTHEWS
CEO

GET TO KNOW SARASIN & PARTNERS

Our global, thematic approach to investment is underpinned by sustainability, because we believe that investment has the power to grow and protect wealth in a way that benefits society.

We invest on behalf of charities, individuals, intermediaries and institutions. Operating as a partnership, our interests are aligned with those of our clients. For more than 35 years, investors from around the world have trusted us with managing their assets, which now amount to £16.98 billion*. Together, we are securing tomorrow.

** As at 31 December 2020.*

OUR CORE VALUES

PARTNERSHIP

We look after our clients' interests as if they are our own.

PEOPLE

We believe in the power of teamwork: everyone matters and we recognise that we are stronger together than as individuals. Diversity in all forms strengthens us.

STEWARDSHIP

We are long-term investors, actively working to secure a sustainable future and enduring value for our clients.

GOVERNANCE

The Corporate Responsibility Committee defines, monitors, oversees and enacts, where necessary, the firm's policies and processes with regards to its Corporate Responsibility reporting requirements.

These reporting requirements include our CO2e (carbon dioxide equivalent) emissions calculations. The Committee produces the firm's carbon footprint annually, and organises the offsets required to remain net carbon neutral in our operations (for scope 1 and 2 emissions).

We see our CSR report as an output of our corporate sustainability work over the year. Our CSR committee, overseen by Chief Operating Officer Tim Temple, meets on a monthly basis to discuss our progress, enhance goal monitoring and expedite timeframes.

OUR APPROACH TO CORPORATE SUSTAINABILITY

OUR SUSTAINABILITY GOALS

MAKING A DIFFERENCE WITH YOUR INVESTMENTS

MAKING RESPONSIBLE INVESTMENT ACCESSIBLE

HOLDING OURSELVES TO THE SAME HIGH STANDARDS TO WHICH WE HOLD OUR INVESTEE COMPANIES

In securing tomorrow, **we aim to make a difference with your investments**, delivering sustainable returns for clients in a way that benefits society, while engaging with companies we own to drive positive change.

We strive to make responsible investment accessible, making it easy for clients to understand their investments and offering a range of products and strategies for different client types.

We also seek to hold ourselves to the same high standards to which we hold our investee companies, reducing our environmental impact and having a positive impact on our community.

These three strategic goals form the basis of how we measure our approach to corporate sustainability. In the pages that follow, we set out what we have achieved in each of these three areas as well as what we hope to achieve in the future.

MAKING A DIFFERENCE WITH YOUR INVESTMENTS

At Sarasin & Partners, we consider ourselves long-term stewards of our clients' assets. We believe that the most crucial way in which we as an asset management firm have an impact on sustainability is through our stewardship work with investee companies. It's our view that investment has the power to deliver enduring value to clients in a way that benefits society. Equally, wealth creation at society's expense is likely to be ephemeral. In short, responsible companies will tend to create more durable economic value for investors and society alike.

Our stewardship philosophy has three tenets:

- A robust, thematic, global investment process focused on long-term value drivers
- Active engagement with the companies we invest in and considered voting to drive positive change on your behalf
- Policy outreach where we believe we can play a positive role in shaping markets and regulation

№ 1

PARIS-ALIGNED STRATEGIES

AIM

Our aim is that fossil-fuel-exposed investee companies commit to aligning to the Paris Climate Agreement. Where they fail, we will vote against director(s) and may sell their shares where we perceive there are explicit risks to capital.

FOCUS

In order that we meet the Paris Climate goals of keeping temperature increases well below 2°C by 2050 and ideally limited to 1.5°C, companies' alignment to the goals of the Paris Agreement is essential. Companies must commit to Paris alignment and set out how they will become net-zero businesses by 2050.

HOW IT ALIGNS TO THE UN SDGS

7 AFFORDABLE AND CLEAN ENERGY

13 CLIMATE ACTION

WHAT WE MEASURE

We expect a public commitment to Paris-alignment as well as a clear and compelling strategy with medium-term milestones to achieve it. We look for evidence that capital expenditure is consistent with this goal.

In December 2020, we became a founding signatory to the Net Zero Asset Managers Initiative, which will see 30 asset managers, representing over $9 trillion of assets, commit to work in collaboration with clients to achieve the goal of net-zero greenhouse gas emissions by 2050 or sooner.

METHODOLOGY

- We reviewed our buy-list to identify those companies most exposed to decarbonisation, or transition risk and identified 40 companies with whom we would engage.
- All these companies were sent our 'Paris letter', starting in Spring 2018 and then again in Spring 2019. The letters ask for the board to make an explicit commitment that they will align with the Paris Agreement, and ensure their business strategies will be consistent with global efforts to achieve net-zero carbon emissions by 2050.
- This work has fed into our Climate Voting Policy, introduced in 2018, which sets out our intention to vote against a range of resolutions depending on the response we receive. In the case of Barclays, we co-filed a Shareholder Resolution at the 2020 AGM seeking a net-zero commitment by the Board.
- Where climate risks are sufficiently material, and the board is failing to manage them, we have sold our holdings. For example, we have exited all oil and gas holdings within our core global thematic equity strategies, due to concerns over potential value destruction linked to decarbonisation.

RESULT

We have seen some significant successes following our engagements. The following companies have made net-zero commitments:

- Enel (2019)
- BP (2020)
- Total (2020)
- JP Morgan (2020)
- Amazon (2019)
- Shell (2019)
- Barclays (2020)
- HSBC (2020)

STATUS

This is a long-term commitment, embedded in Sarasin's Climate Pledge.

№ 2

PARIS-ALIGNED ACCOUNTING

AIM

Where investee companies are exposed to material climate risks, our aim is that they commit to ensuring that their financial statements take account of the Paris Climate Agreement. Where they do not, we will vote against the approval of these accounts and/or members of the audit committee.

FOCUS

Financial statements that leave out material climate impacts misinform executives and shareholders and thus, result in misdirected capital. Company leaders without correct cost and return information are equivalent to pilots without a properly functioning altimeter. In the case of climate change, the consequences of misdirected capital are not only harmful for shareholders, but also potentially disastrous for the planet.

In brief, where decarbonisation is ignored in drawing up financial statements, too much money will flow into fossil-fuel-related activities, and too little into cleaner energy. This clearly makes it harder to achieve decarbonisation, but also raises risks of stranded assets where governments act to deliver their commitments in the Paris Agreement.

HOW IT ALIGNS TO THE UN SDGS

7 AFFORDABLE AND CLEAN ENERGY

13 CLIMATE ACTION

WHAT WE MEASURE

We expect directors to explicitly review and adjust accounting assumptions to reflect the transition onto a 2050 net-zero pathway. Where this is not done, they should disclose in the notes to the accounts how the financial statements would be impacted by the adoption of Paris-aligned accounting assumptions.

METHODOLOGY

Building on an internal analysis into eight oil and gas companies' financial statements in 2018, Sarasin has led a growing coalition of investors (at December 2020 representing over $9 trillion in assets under management) in an engagement effort targeting audit committee chairs at fossil-fuel-exposed companies. These engagements set out the regulatory backdrop to our call for Paris-aligned accounts, including recent guidance from the International Accounting Standards Board, and made explicit shareholder expectations that the accounts were Paris-aligned. Letters were sent to Shell, BP, Total, and more recently CRH and Rio Tinto, and discussions with these companies followed.

We have also backed up these engagements with our Climate Voting Policy, which includes votes against audit committee members that fail to ensure Paris-aligned accounts.

In parallel with company engagements, we have led outreach to accounting regulators and standard setters to ensure investor expectations are understood as a material consideration, and thus a matter for regulatory enforcement.

RESULT

This engagement effort has been extremely successful:

Companies

The three oil and gas majors to whom we co-ordinated letters (Shell, BP and Total) have since adjusted critical accounting assumptions (specifically the long-term commodity price assumptions) in their annual accounts. These revised assumptions are now explicitly taking into account climate risks and the Paris Agreement, and the result has been material impairments of assets on the balance sheet.

Regulators/standard setters

- The UK's Financial Reporting Council published a letter sent to audit committees and finance directors reminding them of their responsibility to consider material climate risks (October 2019).
- The International Accounting Standards Board (IASB) published guidance setting out how precisely climate risks need to be considered under existing International Financial Reporting Standards (IFRS).

STATUS

This engagement stream is now growing quickly and expanding in scope as other global investors sign up for a broader effort to write to 30 European-listed companies.

Nº 3

PARIS-ALIGNED AUDITING

AIM

Auditors at exposed investee companies should commit to alerting investors to accounts that are not Paris-aligned. Where they do not, we will vote against the auditor's reappointment and/or remuneration.

FOCUS

Auditors play a vital role in protecting shareholders against accounting misrepresentation. They kick the tyres on managements' accounts and ensure they deliver a true and fair view of the economic health of the entity. It is, therefore, critical that the auditors are checking that company accounts are reflecting material climate risks – both transition and physical. Where the accounts fail to do this, the auditor should sound the alarm for shareholders. Failure to do so will undermine trust in company accounts.

HOW IT ALIGNS TO THE UN SDGS

7 AFFORDABLE AND CLEAN ENERGY

13 CLIMATE ACTION

WHAT WE MEASURE

We expect the auditor to include in their report to shareholders commentary on how climate risks have been considered in the audit process, and whether the company has properly reflected any material climate risks in the critical assumptions and estimates. Where climate risks are sufficiently material they may be identified as a key audit matter.

Where climate risks are neglected, resulting in misrepresentation, the auditor should sound the alarm by not providing a clean opinion and/or including an Emphasis of Matter.

METHODOLOGY

We have led a growing coalition of investors in an auditor engagement effort in the UK.

The focus has been on the Big Four (PWC, KPMG, EY and Deloitte) and started with a collective letter to the managing partners of each audit firm in January 2019. These letters led to collective engagements between the investor signatories and each audit firm during 2019. The letters were made public in November 2019.

Based on discussions with the audit firms, the investors have ensured that all letters to company audit committees are copied to the lead audit partner, so the auditors can respond appropriately at a company level.

RESULT

Our audit firm engagement has been extremely successful. We have seen several impacts so far:

- All four audit firms have added climate risk to the training for audit partners to ensure they are aware of the relevance to the audit process.
- Deloitte and KPMG published documents in December 2019 setting out why climate risks are relevant to their core audit process.
- International Audit and Assurance Standards Board published a Staff Guidance paper in October 2020, highlighting that climate risks must be considered in the audit process.
- At a company level, at Shell and BP, the lead audit partners took into account our letter to the companies and included detailed commentary on climate risks as part of the audit. They also highlighted where the accounting assumptions were not aligned with Paris.

STATUS

We expect this engagement to continue for some time as we broaden the scope internationally (e.g. in the US) and seek to get the audit firms to commit to Paris alignment across all their audits.

Nº 4

RESPONSIBLE COVID-19 APPROACH

AIM

We want to see targeted investee companies abide by the ICCR Investor Statement on Coronavirus Response, including taking tangible steps to protect customers and staff and ensuring fair treatment within their supply chains. Where they do not we will vote against director(s) and/or remuneration.

FOCUS

In light of COVID-19, we support a responsible and long-term approach when it comes to the treatment of staff, customers, suppliers and other key stakeholders. We are keen to see companies maintain business resilience and build their reputation through this crisis and beyond, and having strong stakeholder relationships will be a key part of this.

HOW IT ALIGNS TO THE UN SDGS

8 DECENT WORK AND ECONOMIC GROWTH

WHAT WE MEASURE

We measure whether companies have taken a responsible approach such as prioritising the health and safety of their employees and customers, maintaining supplier relationships, treating employees fairly, particularly with respect to furloughs and layoffs, and taking a responsible approach to executive pay, dividend payments and share buybacks.

METHODOLOGY

Based on a review of our buy list to identify those companies most exposed to the crisis, we identified nine companies with whom to engage. This review was based on specific KPIs aligned with the categories outlined above.

We arranged initial fact-finding calls with the companies, and where necessary escalated engagement via letters to the Board.

RESULT

We gained reassurance from the majority of companies that they were acting responsibly. In two cases we sent letters to the Board Chair.

STATUS

We expect this engagement to continue, and for it to potentially require engagement on broader social or governance issues.

№ 5
SOUND CORPORATE GOVERNANCE

AIM
Our aim is for our investee companies to make tangible steps to improve governance practices such as executive remuneration and board structure.

FOCUS
We believe that sound corporate governance contributes to long-term value for our clients.

HOW IT ALIGNS TO THE UN SDGS
Governance does not tie to any SDG specifically but sound governance is required to enable the SDGs.

WHAT WE MEASURE
Our voting results are the best way for us to measure progress on governance goals.

METHODOLOGY
We set out our corporate governance and voting guidelines, on which we base our engagement with companies, and how we vote in annual general meetings. These are available on our website.

RESULT
We disclose on a quarterly basis our voting records, and also provide an update on our governance engagements.

STATUS
Governance improvements are evolving and we will continue working on this.

		2016	2017	2018	2019	Q1 2020	Q2 2020	Q3 2020
Total number of company meetings		968	1,165	1,072	1,228	168	378	113
Total number of proposals		10,387	13,244	13,433	13,373	1,459	5,401	1,304
Votes cast	for	7,728	8,570	11,152	8,732	1,064	3,576	1,022
	against	1,681	2,354	2,611	2,678	235	1,090	171
	abstain	61	101	181	129	7	82	2
	withhold	84	83	79	100	2	72	0
	did not vote[1]	833	2,138	1,420	1,641	151	581	109

[1] We do not currently vote in jurisdictions in which share blocking and power of attorney requirements apply

№ 6

CAPITAL MAINTENANCE

AIM

We want our UK investee companies to provide clarity on their dividend-paying capacity, including providing transparency around their distributable reserves.

FOCUS

Over the years, Sarasin has been at the forefront of efforts to call for proper enforcement of capital maintenance rules set out in company law. The concern has been that companies follow accounting standards (IFRS) in a tick-box way, but fail to ensure these accounts provide a true and fair view of the underlying entities' health. Critically, there has been no disclosure around the dividend-paying capacity of companies, which is not a number that can be directly derived from IFRS accounts. We believe this has played a role in the build-up of risks in banks leading up to the Global Financial Crisis, as well as more recent insolvencies from Carillion, and Interserve, to Thomas Cook.

HOW IT ALIGNS TO THE UN SDGS

Governance does not tie to any SDG specifically but sound governance is required to enable the SDGs.

WHAT WE MEASURE

Because companies rarely disclose their distributable reserves, we have looked for proxies of where there may be problems. One proxy is where companies' parent accounts have net assets greater than the group accounts. Another red flag is where dividends paid out exceed retained earnings.

METHODOLOGY

We have led a coalition of investors over several years, calling for more prudent accounting and greater focus on capital maintenance through:

- public position papers
- submissions to government consultations
- private audiences with regulators
- public media outreach (e.g. BBC Radio Four interviews, FT opinion pieces)
- we have also provided evidence to the BEIS Select Committee (2019) inquiry into the Future of Audit. We were asked to join an Advisory Board for Sir Donald Brydon's review of the purpose of auditing. We also have a seat on the UK's Financial Reporting Council's Investor Advisory Board.

We have also sought to embed requests for disclosure of distributable reserves into company engagements, particularly in the UK.

RESULT

Our work has been demonstrably impactful, as follows:

- IASB reversed a decision to take prudence out of its Conceptual Framework
- BEIS Select Committee report called on the government to review the purpose of accounts and the weaknesses in the capital maintenance regime
- The Brydon Review considers capital maintenance, and calls for this issue to be resolved
- Ongoing Parliamentary scrutiny of this issue
- KPMG paper outlining the problems and setting out proposals to move forward
- Increasing disclosure of distributable reserves by companies as reported by the FRC in its recent review
- Brydon Review published a range of recommendations, specifically focused on strengthening auditor accountability to shareholders

STATUS

This is an ongoing goal and we will continue working on this over the long term.

№ 7

AUDITOR ACCOUNTABILITY TO SHAREHOLDERS

AIM

Auditors need to perceive shareholders as their clients if they are to act in shareholder interests.

FOCUS

Over the years, Sarasin has been at the forefront of efforts calling for robustly independent audit. We have coordinated a range of collective investor statements and public outreach to raise awareness of weaknesses in the audit system, which emanate from auditors' lack of independence from management which creates a harmful conflict of interest. Shareholders depend implicitly on auditors as a first line of defence against management mis-representation in their financial statements. Numerous recent audit failures, notably Wirecard in 2020, but also Carillion, Interserve, Tesco, BT, point to the systemic nature of the problem, and need for regulatory action.

HOW IT ALIGNS TO THE UN SDGS

Governance does not tie to any SDG specifically but sound governance is required to enable these SDGs.

WHAT WE MEASURE

We track the following to identify audit risk:

- Auditor tenure at our clients' companies – and believe independence is threatened when the audit firm has been in situ for over 15 years
- The level of non-audit work – where non-audit fees exceed 25% of the audit fee, we view this as an excessive risk to independence
- Where available we look for audit partners' past controversies
- Other red flags, e.g. short seller reports that point to accounting weaknesses

METHODOLOGY

Outreach to regulators has involved numerous statements and submissions, including:

- Public position papers signed by representatives of over 2 trillion euros' worth of AUM, calling for more independent auditors
- Submissions to the Competition and Markets Authority calling for action to split audit firms between audit and non-audit segments and to increase transparency to shareholders
- Public position paper calling for the reconstitution of the audit regulator, the FRC, due to regulatory capture
- Media outreach, including Times exclusive on FRC paper; FT Talking Heads on audit failures

RESULT

Our work has been demonstrably impactful, as follows:

- EU reform of audit – while this was finalised in 2012, our early work fed directly into this, and was supportive of the key new requirements, e.g. caps on audit firm tenure of 20 years (with competitive tenders held every 10 years) and limits on non-audit work
- CMA recommendations for audit to be ring-fenced from non-audit; greater transparency for shareholders
- Kingman Review of the FRC was a direct consequence of our investor position paper calling for the FRC to be reconstituted. The final recommendations were also very aligned with our calls for more transparency, a clearer legal foundation, and tougher rules on the role of the Big Four at the regulator.

STATUS

The reform of audit is critically important for investors, and will take time to achieve. However, we have demonstrated our ability to have an impact, and will continue to press for change.

MAKING RESPONSIBLE INVESTMENT ACCESSIBLE

For more than 35 years, investors from around the world have trusted us with managing their assets. Investing on behalf of charities, individuals, intermediaries and institutions, we are committed to helping our clients reach their investing goals.

We believe that integrating environmental, social and governance factors into all our investment processes is a vital part of how we secure tomorrow. We also seek to empower our clients, by providing them with information and access to products that support them in investing responsibly.

In making responsible investment accessible, we aim to provide a range of responsible investment products and strategies that are suitable for a variety of investor types, and to ensure that these products and strategies are visible and accessible.

We also believe we have a responsibility to share knowledge and expertise with our clients, to help them reach their goals and better understand the impact of their investments.

№ 1
RESPONSIBLE SOLUTIONS

AIM

Our aim is to provide a range of responsible investment products and strategies that are suitable for a variety of investor types and ensure these products are visible and accessible.

FOCUS

It is important for us to be able to meet clients' sustainable or ethical intentions, whether through exclusions and negative screening, best-in class approaches or to make a specific impact with our stewardship and active engagement efforts. Through our discretionary management services we can critically meet such needs through our fully integrated ESG core thematic process.

The following strategies are designed to meet a variety of client types and needs:

EQUITY	FIXED INCOME	MULTI-ASSET
Responsible Global Equity The Sarasin Responsible Global Equity fund takes an active, thematic approach and is designed as a core global holding for the 'concerned' investor. It provides broad global equity exposure and sets a higher threshold on environmental, social and governance (ESG) issues when investing.	**Responsible Corporate Bond Fund** The Sarasin Responsible Corporate Bond Fund provides exposure to a diversified portfolio of responsibly-screened UK corporate bonds and other carefully selected credit instruments. It offers the opportunity to benefit from attractive returns while making socially responsible investment decisions.	**Sarasin Climate Active Strategies** The Sarasin Climate Active multi-asset strategy offers a more direct approach to impact through climate-risk related engagements, and is available in a Charity Authorised Investment Fund (CAIF) and as a segregated solution. It is designed for investors who are seeking attractive and sustainable investment returns by investing in a way that is aligned with the Paris Climate Accord, keeping temperature increases well below 2°C and ideally 1.5°C, while also pushing companies to align with the Paris goals.
LAUNCH DATE		
1 June 2011	14 November 2016	16 February 2018
KEY FEATURES:		
A forward-looking, long-term philosophy A portfolio that sets higher standards A high-conviction portfolio	Negative exclusions Qualitative ESG analysis Impact investments	Climate Active Advisory Panel Active engagement for positive change

HOW IT ALIGNS TO THE UN SDGS

Although our approach is not organised according to SDG headings, our investment process is aligned with their substance, such as to promote action on climate change or poverty alleviation tackling water scarcity, for example. Please refer to Henry Boucher's article on page 24 for more information.

WHAT WE MEASURE

We seek to offer our clients our latest sustainable thinking to help them meet their ethical or sustainable intentions. We monitor the range and accessibility of our products to ensure that clients can access our strategies through the most appropriate platform, whether it is through a pooled fund, model portfolio or discretionary investment solution.

METHODOLOGY

We review and assess our current product offering and services through a number of forums:

- Client director/investment manager reviews of client requirements
- Product Strategy Group
- Ethical Committee

These forums review and assess our product range and take stock of where we see increasing need and demand, either for additional resources and services or through product innovation.

While it is important that we offer sustainable products, we are aware that these should be accessible through vehicles and platforms that best suit clients in terms of their type and requirements.

RESULT

Our current range of products offer our clients access to our core thematic approach, with integrated environmental, social and governance factors, and an ownership discipline that applies across all our products.

STATUS

We constantly review and assess the products and services available to our clients and continue to innovate our product and capability line-up to ensure a healthy pipeline of available sustainable solutions for our clients.

Nº 2

EDUCATION ON RESPONSIBLE INVESTING

AIM

We seek to help investors understand responsible investment, through providing educational materials directly and indirectly, and through communicating on the progress of stewardship projects.

FOCUS

Our training for clients and our educational content is a crucial part of how we put clients first. We seek to increase our clients' awareness and knowledge of sustainability issues within their portfolios, to help them better understand their options, and what solutions to these issues may exist. Through increased knowledge and thought leadership, clients are more aware of how our efforts may help them and how their portfolios can have a positive impact.

HOW IT ALIGNS TO THE UN SDGS

While this doesn't align specifically with the SDG goals, it supports initiatives that promote responsible investing, including the UN Stewardship Code and the UN Principles for Responsible Investing.

WHAT WE MEASURE

We seek to increase the availability and quality of our educational content and thought leadership.

METHODOLOGY

Financial training

We place significant emphasis on financial training, both for charity trustees and private clients. Throughout the year we arrange a number of programmes and sessions focusing on a variety of investment topics, including responsible investing.

Reports and thought leadership

On top of our regular reports, including our House Report, Stewardship Report, and our bi-annual Compendium of Investment, we produce a steady stream of long and short form content on key issues.

Trustee training

We continue to develop our trustee training programme, educating charity trustees and executives every year on the fundamentals of investing.

Educational materials for retail investors

We are increasingly focused on helping retail investors understand investment and stewardship. This will become an even greater priority in the months and years ahead.

RESULT

- In 2020, we rebuilt our website entirely, focusing on creating an intuitive, client-focused experience.
- In 2020, we created a suite of educational videos on the fundamentals of investing, as part of our project to provide educational content to retail investors.
- We held five training sessions for charity trustees in 2019, two of which were at an advanced level and three of which were at a foundational level. In 2020, we held two Foundation Training courses.
- We held two training sessions for junior intermediaries, one in 2019 and one in 2020.
- We published our annual Stewardship Report in February 2020.
- Currently in its 22nd year, the Compendium of Investment is our 200-page reference manual that covers all aspects of managing investments. It examines data as far back as 1900 to help today's investors understand long-term returns, and discusses responsible investment, fees, and how to write an investment policy statement.

STATUS

We will continue to develop further material and educational content for our clients.

№ 3
ESG REPORTING

AIM

We want to help our clients understand our views and analysis of ESG/sustainability issues within investee companies.

FOCUS

Amid increased client concern around the impact and sustainability of their investments, ESG reporting is increasingly a requirement for investors, not only so that they can report to their underlying stakeholders and beneficiaries, but also so that they can meet their own suitability requirements.

We intend to meet this demand by providing underlying ESG data to clients where appropriate. This information, along with our own proprietary analysis, provides more discrete information on ESG impacts and metrics.

HOW IT ALIGNS TO THE UN SDGS

While this doesn't align specifically with the SDG goals, it supports initiatives that promote responsible investing, including the UK Stewardship Principles and the UN Principles for Responsible Investing.

WHAT WE MEASURE

We look to ensure that clients understand the ESG factors affecting their investments and importantly how we have assessed these factors on their behalf. Voting and engagement are measured in terms of total votes for or against management (or abstaining) and significant engagement efforts and outcomes. Most important is maintaining feedback loops with our clients to understand what information they are looking to receive from us, and how we can keep clients informed on issues of sustainability in their investment portfolios.

METHODOLOGY

Two main inputs guide our approach to reporting: our clients and the regulatory environment. We assess client requests for further information and detail on ESG considerations in their portfolios to inform the development of our ESG reporting. As we develop our ESG ratings, and our engagement and voting efforts, we want to ensure clients are fully aware of the considerations and decisions made on their behalf. Furthermore, regulatory requirements and expectations are evolving at a rapid rate for asset managers and asset owners. In response to these initiatives, we are assessing what ESG information we could and should report to help our clients meet their own obligations as it relates to sustainability policies.

We also publish our stewardship policies on our website, alongside regular updates on engagements and policy outreach, and our voting records. Our Stewardship Code Report for 2020 will be published on our website in Q1/Q2 2021.

RESULT

During 2019 and 2020, we responded to client requests for more in-depth ESG reporting to represent our fundamental ESG analysis as well as our ongoing engagement efforts and impacts. We integrated our headline ESG scores into our regular client reporting systems, which has provided portfolio ESG scores and breakdowns based on our proprietary ESG analysis.

In August 2019, we created our first UN SDG alignment report, detailing how our investments align with specific goals. Further initiatives underway include our first Taskforce for Climate Related Financial Disclosures (TCFD) report, more proprietary ESG analysis in reporting, and the production of more detailed ESG reports.

STATUS

With the continued intensification of regulatory requirements relating to climate-related disclosures – the UK Stewardship Code 2020 and the EU Sustainable Finance Disclosure Regulation amongst other commitments – this is an ongoing target. Reporting requirements are becoming more granular and detailed and we are increasing our efforts to not only meet but exceed these expectations where we can.

HOW WE USE THE UNITED NATIONS' SUSTAINABLE DEVELOPMENT GOALS TO SET A FRAMEWORK TO REPORT ON OUR OUTCOMES

HENRY BOUCHER, DEPUTY CIO

Reading just the headlines of the Sustainable Development Goals (SDGs) draws you into the world's gravest challenges – from eliminating poverty and hunger to reversing climate change. It is impossible to ignore the problems presented so clearly in the form of 17 goals, behind which lie 169 targets and 232 indicators. They affect everyone and, in an investment context, affect every company. When they were launched in 2015, Sarasin embedded them into our stewardship, stock analysis and investment strategy. This short note explains why and how.

The SDGs are a remarkable collaboration by 193 countries to set "a shared blueprint for peace and prosperity for people and the planet" in the form of 17 goals. They recognise that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality and spur economic growth – all while tackling climate change and working to preserve oceans and forests.

The fact that all countries agreed them helps embed a 'utilitarian' philosophy that, regardless of politics, it is right to promote overall wellbeing and the betterment of society while rejecting harmful activities. Increasingly widespread alignment with the SDGs is helping to promote a more caring culture and behaviour across the world and makes it harder for those with conflicting interests to refute them.

As unifying goals, they encourage not only governments but companies and individuals to address the very unequal opportunities and threats facing the world population: just 16% of people live in high-income countries, with average GDP per capita of $44,000 p.a. Yet 50% of people in the world have GDP per capita averaging less than $2,200 p.a.

Their huge share of global GDP and enormous stock market values mean that large companies and their shareholders can no longer exclusively focus on financial profitability but need also to embrace the shared global development agenda.

> They offer a set of global principles and an organised structure to tackle the major social and environmental challenges facing humanity.

The momentum behind them has built up over decades, since the UN Earth Summit in Rio de Janeiro in 1992. Today they are universally recognised as the common agenda to promote a joint, long-term approach to addressing global challenges. They are time-bound to 2030, which removes them from the typical 4-5 year political cycle and reinforces commitment regardless of changes in national governments.

By setting a clear list of the real social and environmental issues that affect us all, the SDGs highlight how financial capital is only valuable when the social and natural capital on which it rests is taken into account.

HENRY BOUCHER
DEPUTY CIO

Yet despite companies' growing awareness of the SDG issues, there is still a large gap between the way they operate and the 17 goals. First, there is a geographic mismatch – the majority of stock-market-listed companies have operations focused on the richer, developed markets and have less exposure to the developing world where the need is generally most acute. This means that they can feel remote from some of the goals. Secondly, they report their activities using accounts designed for shareholders, with only limited ESG (environmental, social and governance) information that can be matched to the SDGs. This makes it difficult to measure alignment and the difference in reporting language means that investment analysts require a 'Rosetta Stone' or map to translate the SDGs into corporate ESG-speak and vice versa.

We created our own 'map' to navigate between SDGs and ESG in 2015 and ever since it has proved to be a powerful tool in identifying the wider impacts that the companies we invest in can have in undertaking their activities. It has helped us ask the right questions of companies, identify missing information and gain a much better understanding of the longer term ESG risks facing many companies. Government policies are changing to encourage progress towards the goals, to the potential cost of companies slow to respond.

The SDGs are so much more than an agenda for Official Development Assistance to the poorest nations. They offer a set of global principles and an organised structure to tackle the major social and environmental challenges facing humanity. All global investors should take them very seriously.

UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

HOLDING OURSELVES TO THE SAME HIGH STANDARDS TO WHICH WE HOLD INVESTEE COMPANIES

As an asset manager, we believe that we should align our own business with the same goals and approaches to sustainability that we demand of investee companies.

In order to pursue and maintain our responsible investment philosophy, we want to practise what we preach when it comes to our impact as a business.

№ 1
OPERATIONAL IMPACT

AIM

We aim to conduct our business in a sustainable manner, limiting our impact on the environment.

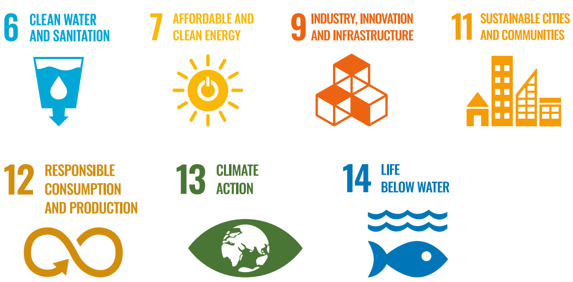
FOCUS

The statistics in the pages that follow cover our usage for 2019 and cover our usage of electricity, gas, water and paper as well as travel.

The key areas that we focus on are:

- **Carbon footprint** – in line with the goals of the Paris Climate Agreement and our Climate Pledge, we target net-zero carbon emissions by 2050 and to offset our direct and business travel emissions to be net-zero.
  - Electricity infrastructure. In our UK office, we have used 100% renewable electricity since April 2017 and 100% renewable gas since February 2019.
  - Travel
- **Waste and plastic usage**
  - Single use plastic – eliminate, where possible
  - Landfill waste – reduce on an absolute level
  - Recycling – improve and increase
  - Aim to be as paperless as possible in all projects

HOW IT ALIGNS TO THE UN SDGS



WHAT WE MEASURE

- Electricity (kWh per employee)
- Gas (kWh per employee)
- Water usage (litres per employee)
- Taxi/car travel (km per employee)
- Air (km per employee and associated carbon)
- Rail travel (km per employee)
- Paper usage (kg per employee)

METHODOLOGY

We have worked with all our suppliers to get relevant consumption statistics. Where carbon utilisation is applicable we have used the DEFRA factors and applied them to our usage to calculate our carbon footprint.

RESULT

Our calculated carbon footprint for 2019 was 467 tonnes C02e which we have offset with our partners to become a carbon-neutral firm. The two partners which we used to offset our 2019 carbon utilisation were:

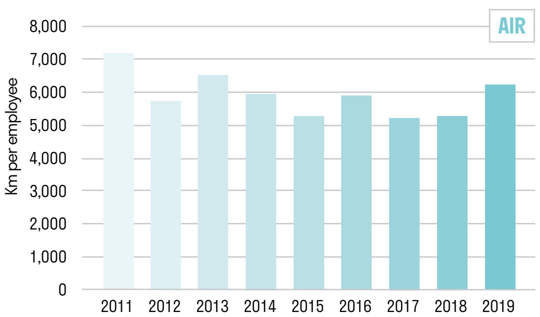
- Carbon Footprint LTD via the VCS certified Portel-Pará REDD project (VCS977). They also facilitate tree planting in the UK , which helps to prevent climate change and creates space for wildlife
- South Pole, who invest in a climate protection project - Vietstar Composting, Vietnam (301000)
- Progress in other areas can be seen in the charts on the next page.

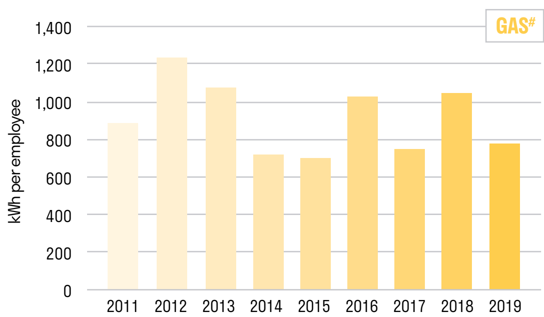
STATUS

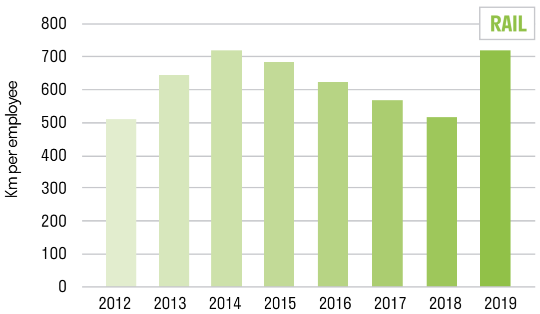
Understandably, in 2020 the environmental impacts of our business operations dropped due to COVID-19 and restrictions on travel, as well as the drive to work from home. We successfully implemented a company-wide work-from-home set-up which has therefore drastically reduced office-related waste and electricity, although we should be aware that this usage may have been displaced to individual homes.

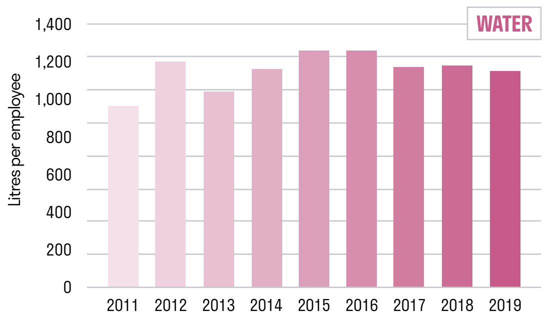
We are aware that this reduction is temporary and will continue to take steps to lower our consumption as we gradually return to the office.

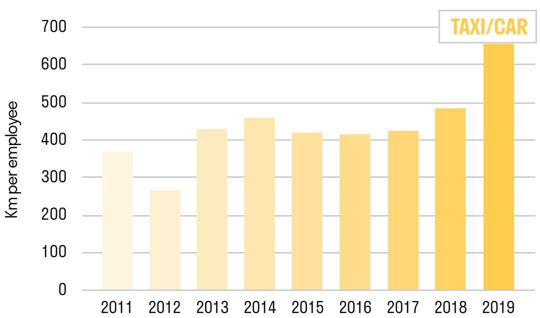
Due to the disruption caused by coronavirus and the ensuring uncertainty about future work patterns, we have not yet been able to set targets for our environmental impacts, but we intend to do this once we return to a more steady state.

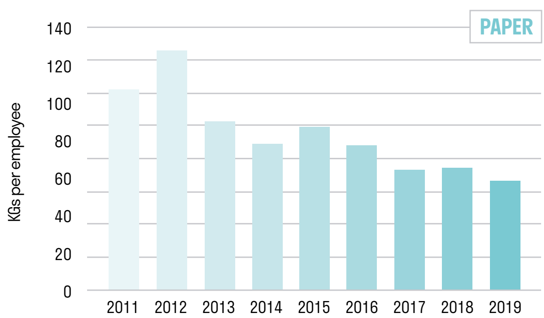


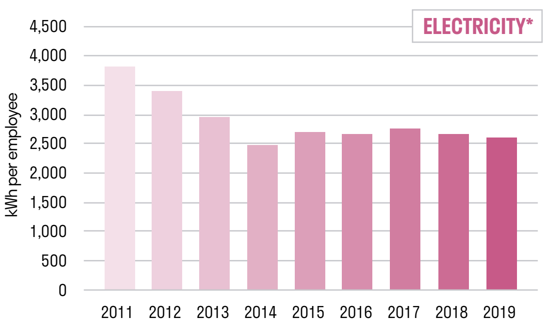












* In our UK office, electricity has been 100% renewable since April 2017.

In our UK office, gas has been 100% renewable since February 2019.

№ 2

EMPLOYEE ENVIRONMENT

AIM

We look to create a positive working environment for our employees and promote an diverse and inclusive culture across the business.

FOCUS

Sarasin is fully committed to the active promotion of diversity and equal opportunities in the provision of all its services to employees and individuals. All applicants, employees, partners, ex-employees, interns and those who work for Sarasin in any capacity will be given equal opportunity regardless of any of the following: sex, sexual orientation, gender or gender re-assignment, pregnancy or maternity, ethnic or national origins, religion or belief, age, disability, marriage and civil partnership status, or the fact that they are a part-time or fixed-term employee. We believe it is important to measure, monitor and manage our efforts in this area, so that we can maintain a strong and positive culture as a firm.

Mental health and wellbeing continue to be a strong focus, especially in 2020 as employees needed extra support in the work-from-home environment, along with the many other challenges that COVID-19 has given rise to.

HOW IT ALIGNS TO THE UN SDGS

5 GENDER EQUALITY

8 DECENT WORK AND ECONOMIC GROWTH

10 REDUCED INEQUALITIES

WHAT WE MEASURE

- Gender pay gap
- Ethnicity pay gap (2020 onwards)
- Staff composition by various equal opportunities measures (dependent upon staff supplying this information)
- D&I survey data
- Wellbeing survey data
- Absence levels for wellbeing monitoring

METHODOLOGY

- Data analysis
- Surveys
- Reaching out to managers and individuals

RESULT

We introduced a number of measures to support wellbeing during COVID-19:

- Flexible working patterns, reflecting individual circumstances.
- Weekly wellbeing hints & tips.
- Conducted a wellbeing survey which showed that 89% of our people felt that the firm had managed the COVID-19 situation effectively. We are arranging further measures to address the three key areas identified as areas of focus.
- Arranged various firm-wide Zoom meetings for social interaction and support.
- Training for managers to help them with the changes involved in managing a team who are working remotely.

- **Diversity and inclusion**
  - We have been measuring and reporting on this for the last two years.
  - We implemented a new human resources information system with a dedicated page for equal opportunities monitoring to accurately measure the current composition of the workforce.

- We engaged with external consultants and launched a D&I survey. We are in the process of launching a D&I taskforce, with the help of our external consultants.
- Implemented a new recruitment system that will better enable us to collate data on equal opportunities.
- Targeted recruitment campaigns to address underrepresented demographics.

- **Mental Health:**
  - A senior partner gave an address regarding mental health issues, sharing personal experiences and internal and external support available.
  - We provide the highest level of cover available in the market by medical insurers for psychiatric care.
- **Surveys:**
  - Gained a better understanding of current staff composition and move in trends/numbers.
  - Gained a greater understanding of key areas of focus for our wellbeing strategy.
  - Gathered first set of data in relation to D&I survey.
  - Incrementally reducing our gender pay gap.

GENDER PAY GAP (%)*

	2019	2018	2017
Mean gender pay gap in hourly pay	28	29	33
Median gender pay gap in hourly pay	31	33	34
Mean gender bonus gap	57	59	69
Median gender bonus gap	65	64	67

** The gender pay gap percentage is calculated as the percentage difference between salaries for men and women.*

STATUS

Each of the measures above form part of a longer term goal for the firm and we will look forward to demonstrating trends once we have run more surveys.

№ 3
COMMUNITY IMPACT

AIM

As long-term investors on our clients' behalf, we also aim to have a positive impact on our wider community.

FOCUS

We believe that supporting communities is an essential part of our future success. We aim to do this in a way that brings in the whole of the business as part of our culture and ethos. We continue to run multiple strands of fundraising and charitable support for causes we support as a firm, and our employees support as individuals.

HOW IT ALIGNS TO THE UN SDGS

While our activities in this area do not directly support the SDGs, the charities we support have a positive impact in many different areas.

WHAT WE MEASURE

The primary measure of our efforts is in the total amounts raised for the various charities and endeavours that we support.

IMPROVING CHILDREN'S MENTAL HEALTH

Place 2Be

METHODOLOGY

CHARITY OF THE YEAR

For many years, employees have supported charitable causes through the choice of a 'charity of the year', which is voted for by employees every second year.

This year's charity is Place2Be, a charity that works to provide mental health support to children in schools.

PAYROLL GIVING

We operate a Give As You Earn scheme where employees can donate to charities of their choice, taking advantage of tax breaks to ensure that the charities receive the most from our donations.

DONATION MATCHING

Further recognising the efforts of the fundraising team Sarasin pledges to match any funds raised up to an additional £7,500 each year.

FUNDRAISING

We have a 12-member fundraising team who organise a number of events throughout the year through charity auctions, raffles, cake sales, and sponsored static bike rides.

VOLUNTEERING

Sarasin offers staff two full days of volunteering leave every year.

RESULT

As at publication of this report, Sarasin & Partners has raised a total of £20, 288 for Place2Be. 2020 saw the launch of our Max Miles competition, whereby employees virtually teamed up to raise money for Place2Be via cycling, running and walking. We have also volunteered with the Peel Institute, a charity that supports children living in poverty and older adults.

STATUS

We have a number of events in the pipeline to support Place2Be, and will continue to look for opportunities to support our community.

CREATING A CULTURE THAT SECURES TOMORROW

CREATING A POSITIVE CORPORATE CULTURE FROM WITHIN

We believe that supporting communities is an important part of securing tomorrow. Despite needing to work from home for much of 2020, our employees have continued to support important causes, such as our Charity of the Year, which is voted for by employees every other year.

We have a 12-member fundraising committee, which organise a number of events throughout the year. Our Max Miles campaign, which encouraged employees to raise money through exercising, as well as other initiatives, including company-wide online quizzes, raised a total of £20, 288 for the charity.

We also operate a Give As You Earn scheme where employees can donate to charities of their choice, taking advantage of tax breaks to ensure that as much money as possible goes to charities. Similarly, Sarasin pledges to match any funds raised by employees up to an additional £7,500 per year.

◀ **Hackney Half Marathon for Mind**

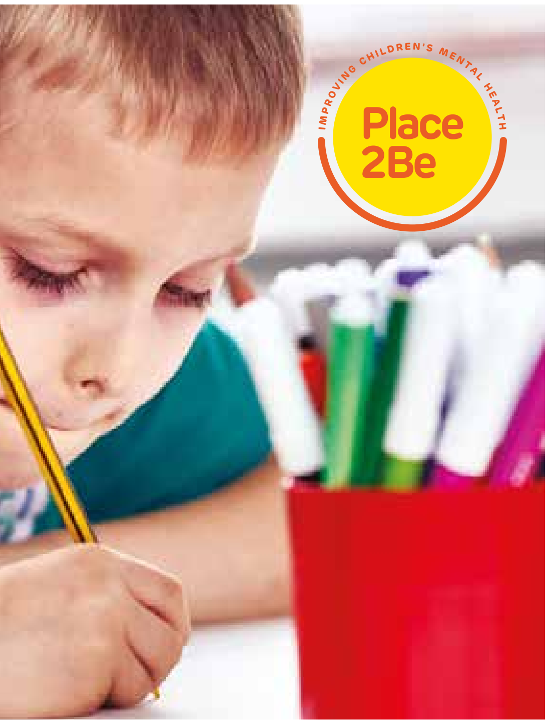
In May 2019, Tom Kight ran the Hackney Half Marathon in 1 hour 41 minutes, raising £1,627 for Mind.

▲ **Big Half for the Felix Project**

In March 2019, Mel Roberts ran the Big Half Marathon in London in aid of the Felix Project, a charity that distributes wasted food to people and charities in London.

Sarasin at home quiz

Sarasin employees took part in an online quiz to raise money for charity



Place2Be - Sarasin's Charity of the Year

We are delighted to be supporting Place2Be, a charity that provides mental health support to children in schools.

Polar Night Half Marathon in support of Meath School

In January 2020, Olly Bates ran in the Arctic Circle in northern Norway to raise £40k for Meath School, which specialises in speech and language for children, in support of the residential unit attended by his son.

LOOKING AHEAD

A NOTE FROM OUR CHIEF OPERATING OFFICER, TIM TEMPLE

Our focus on securing tomorrow has helped us navigate a year characterised by disruption, whether it is through our continued efforts to seek change on behalf of our investors, our commitment to responsible investing, or through our focus on practising what we preach. Many of the changes that COVID-19 required, such as increasingly resilient IT systems and a focus on employee mental health, were achievable because of these tenets, and the outcomes will stand us in good stead for the future. However, pursuing a sustainable approach in all that we do requires constant evolution, and next year, we will seek to build on this year's action, through an even greater focus on digitalisation, empowering a flexible workforce, and increasing our engagement with our supply chain around corporate sustainability issues.

TIM TEMPLE
CHIEF OPERATING OFFICER

IMPORTANT INFORMATION

If you are a private investor you should not rely on this document but should contact your professional adviser.

The investments of the funds are subject to normal market fluctuations. The value of the investments of the funds and the income from them can fall as well as rise and investors may not get back the amount originally invested. If investing in foreign currencies, the return in the investor's reference currency may increase or decrease as a result of currency fluctuations. Past performance is not a guide to future returns and may not be repeated.

For efficient portfolio management the fund may invest in derivatives. The value of these investments may fluctuate significantly, but the overall intention of the use of derivative techniques is to reduce volatility of returns.

There is no minimum investment period, though we would recommend that you view your investment as a medium to long term one (i.e. 5 to 10 years). Frequent political and social unrest in Emerging Markets, and the high inflation and interest rates this tends to encourage, may lead to sharp swings in foreign currency markets and stock markets. There is also an inherent risk in the smaller size of many Emerging Markets, especially since this means restricted liquidity. Further risks to bear in mind are restrictions on foreigners making currency transactions or investments. For efficient portfolio management the Fund may invest in derivatives. The value of these investments may fluctuate significantly, but the overall intention of the use of derivative techniques is to reduce volatility of returns.

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