

# J. STERN & Co.

## Engagement Activity Summary 2023

### Our Engagement Strategy

Our stewardship activities are an integral part of how we manage assets for our clients. We have a fiduciary duty to preserve and enhance the value of assets entrusted to us by our clients and, as active asset managers, we act as stewards of our clients' capital. As we hold investments in companies for the long-term, we regard the process of stewardship as a natural and essential part of our investment approach.

Stewardship goes above and beyond just investment. At J. Stern & Co. we have a distinct approach whereby Stewardship and ESG considerations are integrated across our business.

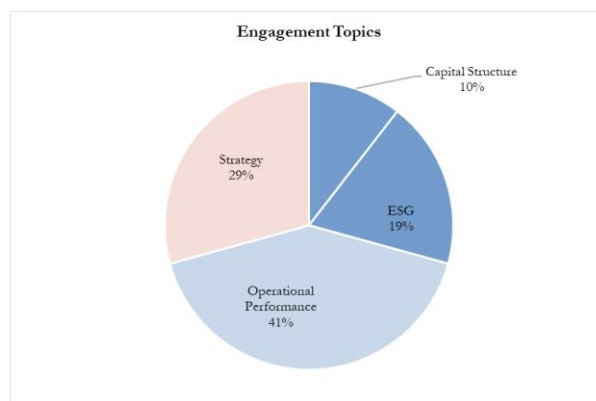
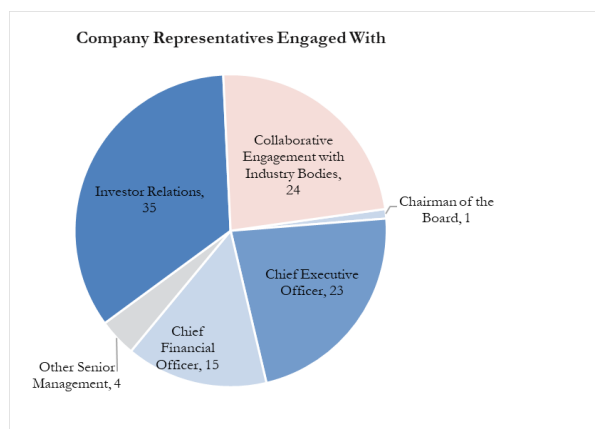
We monitor our clients' investments through comprehensive and continuous research, which includes maintaining a dialogue with management. Areas with potential to impact the value of investments held by our clients, whether positively or negatively, include corporate strategy, capital allocation policy and capital structure, remuneration and incentive structures, M&A activity, governance, and material environmental or social issues.

We believe that engagement with issuers maintains and enhances the value of the assets that we are stewards of on behalf of our clients. In engaging, we seek to support decisions that we believe enhance the value of our clients' investments, and at the same time, to ensure that investee companies are conscious of risk factors, including social and environmental risks, that may detract from that value.

This engagement serves to confirm and support our investment thesis and establish a good ongoing channel of communication with companies. It acts as an important mechanism in confirming whether an investee company's stated strategy is being executed with the appropriate level of risk and whether the board and relevant subcommittees are effective in discharging their oversight responsibilities. We believe it deepens our understanding of the quality of the management and the integrity of the board and consequently an investee company's ability to deliver on its key goals.

Our approach is consistent with emerging best practice codes including the UN Principles for Responsible Investing, and the EU Shareholders Directive II. We are signatories to the UN PRI and the 2020 UK Stewardship Code.

### Engagement Activity Jan 1<sup>st</sup>, 2023 – Dec 31<sup>st</sup>, 2023



In 2023, we engaged with our investee companies and collaborative engagement bodies on 102 occasions to discuss topics pertaining to their capital structure, strategy, operational performance, and ESG matters.

In 42% of the engagement outreaches, we had the opportunity to discuss these matters directly with C-suite executives and/or senior management.

### Examples of Engagement

**Alcon** - In 2023, we engaged with Alcon on three occasions, speaking with the CEO twice as well as the VP of Sustainability & ESG. In our discussions with the VP of Sustainability & ESG, we went through the company's long term ESG strategy to better understand how the company sets short, medium, and long-term ESG goals and KPIs. We provided the feedback that in our view there is scope to further improve its ESG performance by aligning with relevant global sustainability initiatives, notably the CDP and SBTi. We asked the company to include scope 3 GHG emissions as part of its annual disclosures and incorporate these in any net zero target it commits to.

**Sika** - In 2023 we held a call with the outgoing Chair of the Board, Paul Hälg, and his successor Thierry Vanlancker. This is in addition to discussions with various layers of management during the year, including the CEO. We reflected on the significant work we did together with Sika on fending off St Gobain's takeover attempt during 2014-18 and on Dr Hälg's legacy. We discussed the new Chair's vision for the company and his goals going forward. We touched on the recently announced rotation of divisional heads and how this relates to the company's 2028 strategic roadmap. We reflected on the company's rapid expansion in recent years, and how governance structures, management systems and compliance practices have evolved in response to this.

**ASML** - In 2023, we engaged with ASML on four occasions speaking to the CEO, CFO and IR team. Discussions focused on the company's operations in China, associated geopolitical risks and its business performance through 2023. We delved into ASML's ESG strategy, specifically as it pertains to its alignment with the UN's 17 SDGs, how it contributes to individual SDGs and any related KPIs. We noted a 21% increase in the company's water consumption in 2023, reflecting the expansion of its manufacturing footprint. We discussed the company's approach to water management, how it aims to operate a closed loop water recycling system and how it seeks to achieve water circularity.

**Biopharma Credit Fund** - In 2023, we engaged with Biopharma twice. We have been investors in the Investment Trust for many years and have always kept a close relationship with its managers. During 2023, the trust was affected by the

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performance of one of its loans, LumiraDx, which represented at the time around 9% of NAV. We communicated with the fund to gain an understanding of the issue as they were working through possible outcomes and the best way to extract value for shareholders. We are pleased to note that in early January 2024, it was announced that a resolution had been indeed successfully achieved.

### Collaborative Engagement

In 2023, we continued to build on our collaborative engagement efforts.

We support **ShareAction**, a UK-based charity dedicated to promoting responsible investment. We are a member of the Healthy Markets initiative which seeks to uphold standards of healthy nutrition among Food and Beverages manufacturers. As part of this coalition, we engaged with Nestlé, the industry's largest player. We held two calls with a team of senior company executives in which we discussed Nestlé's disclosures and aspirations as it pertains to the nutritional profile of its product portfolio as well as its associated marketing and lobbying practices. We are encouraged to see the company's pledge to grow the sale of healthier products, that is products with a Health Star Rating (HSR) of 3.5 stars or more, by 50% by 2030 when compared to the 2022 sales level. In 2023, we also joined ShareAction's newly established Long-Term Investors in People's Health initiative, a broadened framework for encompassing worker, consumer, and community health considerations in investment decisions.

We are members of the **IFRS Sustainability Alliance** (formerly known as the SASB Alliance) which seeks to promote harmonized corporate disclosure standards. In 2023, we attended webinars discussing the International Sustainability Standards Board (ISSB) release of IFRS S1 Sustainability and S2 Climate disclosure standards, a new unified framework for sustainability reporting. We also attended a collection of webinars from IFRS Sustainability Alliance Academic Series.

As **UN PRI** signatories, we are a member of its network of investors working to promote responsible investment decisions through the incorporation of environmental, social and governance factors. In 2023, we attended group signatory calls discussing the 2023 UN PRI reporting cycle, the 2023 proxy voting season and how investors can act on biodiversity.

In 2023, we continued to engage with the **Business Coalition for a Global Plastics Treaty**, convened by the Ellen MacArthur Foundation and WWF. We attended webinars and contributed to signatory surveys to build investor alignment on an ambitious legally binding Global Plastics Treaty. We also sought to engage with our investee companies advocating for a circular economy and the implementation of company action plans.

In 2023, we joined **Ceres' Valuing Water Finance Initiative** an investor-led effort to engage with high water footprint companies. The initiative seeks to engage with 72 companies, eight of which are held in our portfolios.

In 2023, we joined the **Global Coalition on Workplace Mental Health** (CCLA) a collaborative engagement initiative seeking to highlight workplace mental health as an important business consideration. It aims to encourage companies to publish a commitment to workplace mental health, enhance relevant policies and set targets to improve outcomes.

In 2024, we look forward to building upon the relationships with our investee companies and will continue monitoring progress on the issues advocated for during this past year. We will also continue to seek appropriate collaborative engagement initiatives to add our voice to and maximise our impact within the investment industry.

Our approach and principles in terms of engagement are detailed in our Stewardship and Engagement Policy document available on our website.