The Quality Growth Investor

COMGEST GROUP RESPONSIBLE INVESTMENT POLICY

December 2023

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A. INTRODUCTION

Comgest is an equity-focused asset manager with a quality growth investment philosophy that has guided our portfolios consistently for over three decades. We strive to provide investors with a consistent quality growth approach across global equity markets. We believe that our social utility is first and foremost to deliver above-average risk-adjusted returns to our clients over time.

As stewards of capital, we look to preserve the long-term interests of our clients by investing in companies where we believe the financial returns are sustainable over the long term. This includes monitoring the social and environmental impact of our investee companies to evaluate whether they support conditions for sustainable growth.

Our investment beliefs underpin our business model. We are very conscious of the trust that has been placed in our firm when clients invest with us. Our business strategy is implicitly linked to how we invest for clients.

1. Our responsible investment philosophy

We engage in responsible investment because we believe that this enhances our financial performance as long-term investors and delivers multiple forms of value to our clients. Responsible investment has always been an integral part of our investment philosophy and approach because we believe that:

i. Markets may fail to correctly value businesses with strong and sustainable competitive advantage and persistent above-average earnings growth;
ii. The integration of ESG enables a better assessment of quality; and
iii. Sustainable value creation is enhanced when companies deliver social utility, integrity and differentiation.

We believe that a company's responsible approach to environmental, social and governance issues will impact positively on the sustainability of their growth over the long-term. In assessing these factors carefully, the integration of our proprietary ESG research into our fundamental analysis enables Comgest's investment team to perform a more comprehensive assessment of 'quality'. We also know that "value" for our clients derives not only from the financial returns we deliver or the service we provide but the consistency and transparency of our responsible investment approach.

2. Objectives of our responsible investment approach

With the implementation of its Responsible Investment policy, Comgest strives to achieve the following objectives:

- Enhance the risk-adjusted return of our portfolios over our long-term investment horizon
    - Improve our assessment of both quality and risk for each company, by thoroughly integrating environmental, social and governance ("ESG") related risks and opportunities into our research;
    - Enhance long-term performance through our active ownership strategy. This includes encouraging investee companies to improve in their disclosure and ESG risk mitigation practices as well as benefitting from ESG opportunities
- Discover new investment opportunities through the assessment of companies positioned to benefit from ESG-related competitive advantages and growth engines
- Ensure the responsible stewardship of our clients' assets

3. What enables us to implement our responsible investment approach?

- Our **Long-term investment horizon**, incentivised by Comgest's broad partnership structure enables us to engage with companies over the long-term, striving for continual improvement. We seek to deliver value to our clients by utilising time-horizon arbitrage, looking beyond the short-term market "noise" to identify drivers of long-term performance.
- Comgest has always been 100% owned by employees and founders. We regard our **independent ownership structure** as a key advantage to implement an unbiased and effective engagement and advocacy strategy.
- Our **experience** integrating ESG in investment analysis as part of our quality growth approach. Comgest has focused on long-term, quality growth investing for over three decades. We

became a signatory to the UN PRI in 2010, hired our first ESG Analyst in 2012 and formalised our group-level Responsible Investment Policy in 2016.

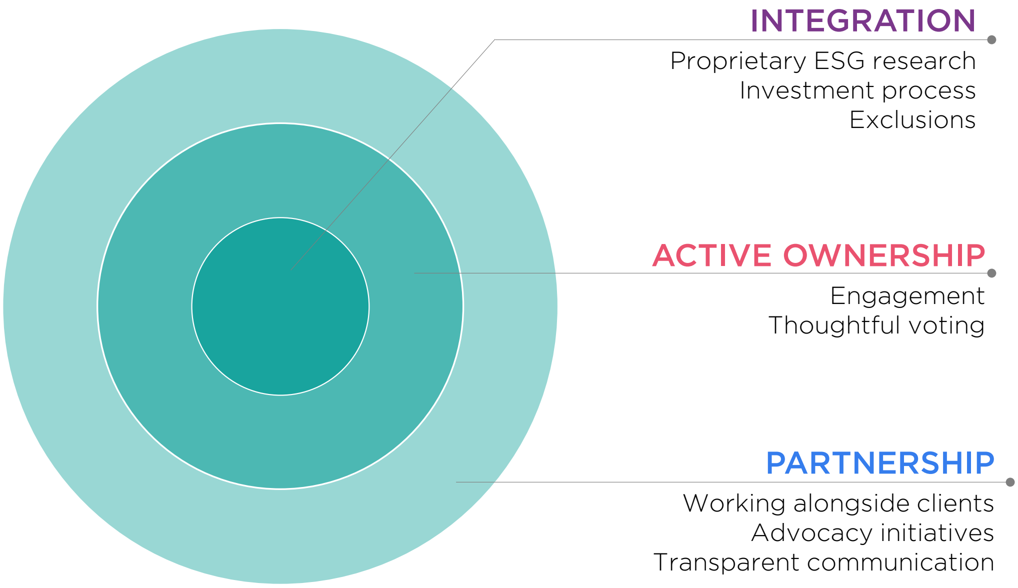
— We believe that our **proprietary ESG research** performed by diverse, on-the-ground teams with local language skills and cultural knowledge allows us to make more informed investment decisions
— We **embed ESG analysts within the investment team** to work alongside our company analysts attending company meetings, performing research and conducting proprietary ESG assessments. These team members serve to complement and expand the research process.

B. SCOPE

Our Responsible Investment policy applies to all of Comgest's assets under management, worldwide.

C. RESPONSIBLE INVESTMENT STRATEGY

Comgest has developed and implements a three-pronged Responsible Investment Strategy:



— **Integration:** we conduct proprietary company research as part of our bottom-up stock selection process. We form our own opinions on the ESG profile of each company based on this fundamental research. Our assessment of ESG criteria is incorporated throughout our investment selection and portfolio management process. We maintain an exclusion policy defining our limits to exposure regarding activities where ESG-related risks tend to be more significant.

— **Active ownership:** as long-term investors managing concentrated portfolios, we are able to open constructive dialogue with our investee companies. We engage with them to exchange information on ESG topics and to drive improvements in areas we consider material to the long-term prospects of the company. As shareholders of listed companies, we know that to vote is to voice. We implement our proprietary voting policy thoughtfully, adapting the guiding principles to each company's unique circumstances. This may result in voting against management and voting against our own policy at times - we see this as a sound demonstration of thoughtful, active voting.

- **Partnership:** we strive to work together with our clients as responsible stewards of their capital. This means sharing views, knowledge and developing an understanding of our clients' specific priorities when it comes to responsible investment.

  As part of our partnership strategy, we join efforts with other like-minded investors or industry bodies to engage with companies and other industry participants when we believe this can drive more effective and/or more timely positive change.

  Transparency is anchored in Comgest's values and responsible investment philosophy. Just as we demand transparent disclosures from our investee companies, we aim to provide high quality communication concerning our responsible investment activities to our clients. We share comprehensive information with our investors. When reporting on our responsible investment activities, we provide details of our achievements (e.g. engagement successes) as well as our limitations, lessons learned (e.g. ESG-related divestments) and our ambitions for improvement.

  We deliver this transparency through our regular client reporting, our discussions during client interactions, our responses to bespoke ESG information requests and the publication of ESG-related disclosures on our website.

1. Integrate

(a) Defining sustainability risks

Comgest believes that enhanced outcomes can be achieved from the integration of sustainability risks into its investment decisions.

Sustainability risk means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of an investment. Sustainability risks are the potential negative consequences (financial, legal or reputational) to a business that may result from its impact (or perceived impact) on the natural environment (such as air, water or soil), on the stakeholders of the entity (including employees, customers and local communities) or from shortcomings in a company's management structure (such as misbehaviour, corruption, failure to adequately vindicate shareholder rights or lack of tax compliance). Sustainability risks may occur in respect of the companies in which the portfolios we manage invest. The occurrence and significance of sustainability risks vary between sectors and geographical locations. For example:

- Businesses whose operations are highly dependent on access to natural resources (such as those in the oil, gas, agriculture, energy, mining sectors) or businesses whose products cause high emissions (such as the automotive and aviation industries), often face a high level of environmental risk.
- Businesses whose operations pose significant health and safety hazards to workers or have significant socioeconomic impacts on local communities, such as mining, construction and the textile industry, often face a high level of social risk.
- Changes in consumer expectations may also present sustainability risk. Consumer expectations with regard to protecting biodiversity and promoting a circular economy has meant that many companies have had to change their operating model to reduce the use of single-use plastic. This has presented an operational risk for some consumer goods companies and retailers.
- Different kinds of sustainability risks are more or less prevalent in different parts of the world. The level of risk may be influenced by changing climate conditions and natural hazards, regulatory standards in climate protection, labour safety standards with respect to a company's activities, technological developments (such as renewable energies) and changes in consumer behaviour. For example, in some regions, issues such as child or forced labour or corruption may be a more common risk. Climate change is also expected to have varying impacts around the world, for example an increase in the risk of drought in some regions and an increase in flood risk in others.

(b) Defining Principal Adverse Impacts

Comgest believes that enhanced outcomes can also be achieved from the integration of principal adverse impacts into its investment decisions.

Principal adverse impacts on sustainability factors are negative material or likely material impacts of a firm's investment decisions on sustainability factors.

Please refer to our Principal Adverse Sustainability Impacts Statement.[1]

(c) Incorporating Sustainability Risks and Principal Adverse Impacts within our investment process

The manner in which we take sustainability risks (also referred to as "ESG risks") and principal adverse impact into consideration is through the ESG integration approach. ESG factors and PAI indicators are incorporated into the investment decision making process with the objective of improving the long-term financial and sustainability outcomes of our clients' portfolios, consistent with their objectives. This approach ensures that the investment teams are aware of an investee company's sustainability risks, including those that could have a material impact on returns and PAI indicators that could have a material impact on the environment and social areas. Comgest ensures that sustainability risks and opportunities as well as PAI indicators are taken into account in a systematic manner.

(d) ESG integration process

What are the types of ESG criteria that we consider throughout our process?

ESG factors that we specifically consider, depending on their materiality to the business in question, include the following:

ENVIRONMENT

- Greenhouse gases emissions
- Energy use and efficiency
- Deforestation
- Raw materials consumption
- Biodiversity and its protection
- Air, water and ground pollution
- Water and waste management
- Lifecycle impacts and circular economy

SOCIAL

- Social utility
- Human rights
- Labour practices and working conditions, health & safety
- Product safety and quality
- Data privacy and security
- Diversity, equity and inclusion
- Supply chain management
- Relationships with stakeholders: customers, communities, governments/regulators, suppliers, unions etc.

GOVERNANCE

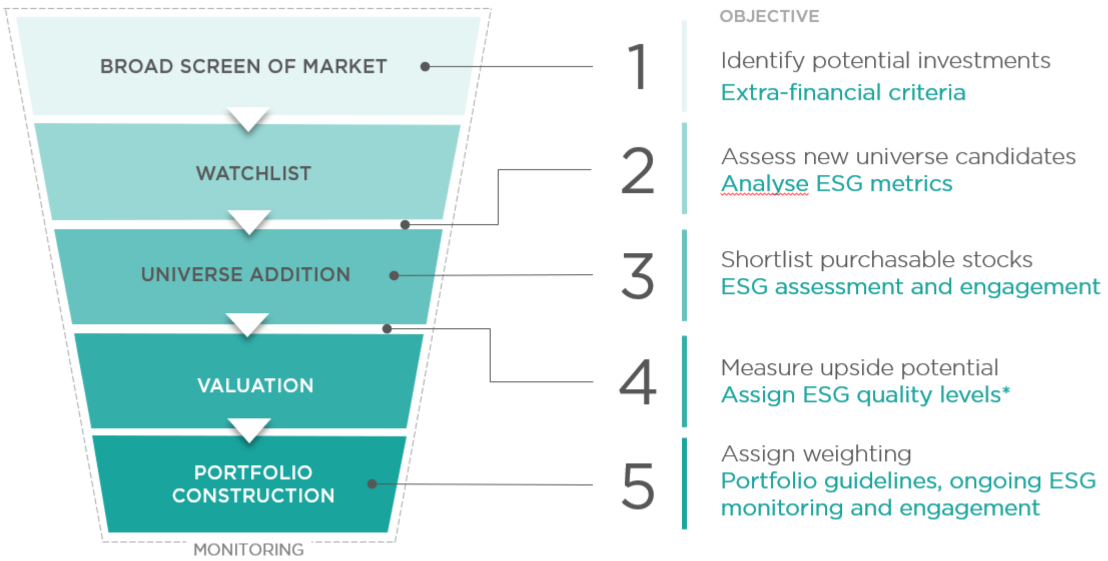
- Culture and ethics
- Shareholder rights
- Audit and accounting
- Effective allocation of all forms of capital (financial, social, natural, human)
- Corruption and bribery
- Board and board committee characteristics including diversity
- Board member competence
- Independence
- Compensation
- Management structure
- Risk management
- Transparency
- Tax compliance

[1] https://bit.ly/3MrpYYS

In Comgest's ESG research, priority is given to what we consider the most material ESG issues which are likely to have an impact on companies and their ecosystem for sustainable development. This focus on materiality allows us to monitor key issues and to use the results of our research for valuation purposes as explained in section 3.1.5, "Impact on valuation".

As part of its ESG risk assessment process, Comgest is committed to carefully monitoring and managing climate, biodiversity and human rights related risks. Further details on how Comgest assesses and aims to mitigate climate, biodiversity and human rights related risks are set out in Appendices II, III and IV.

Comgest adopts an ESG integration approach which aligns well with our investment style focused on bottom-up stock picking of quality growth companies.

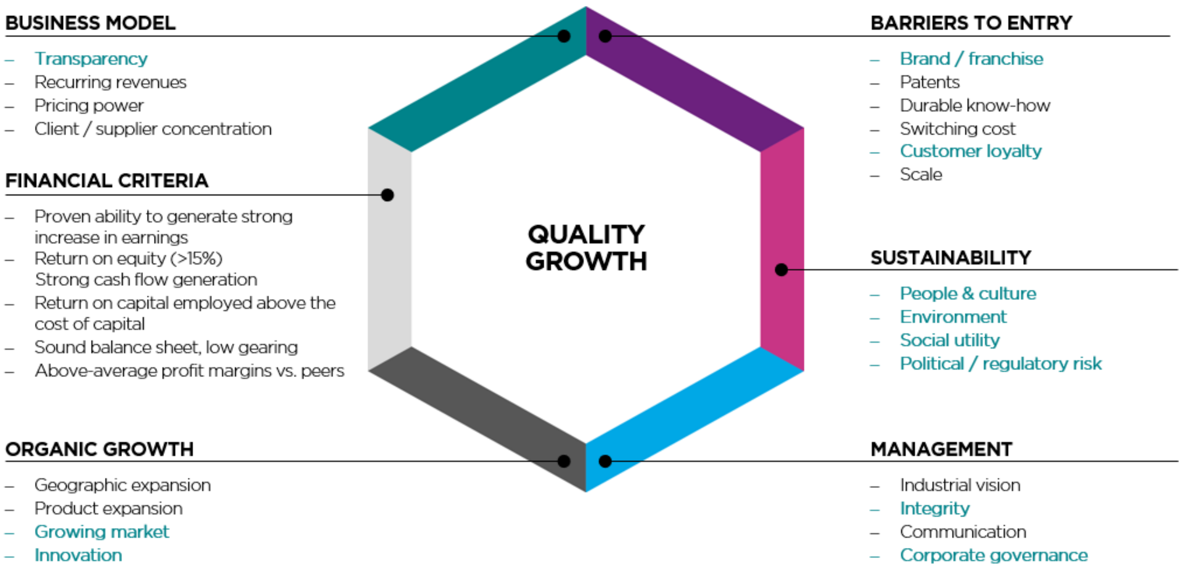


Investment process step by step:

1. Broad screen of market

Within the evolving universe of potential investments, we look for companies with the following Quality Growth criteria:

Figure 1. Comgest's Quality Growth Selection Criteria



This broad screen of the market is carried out by the company and ESG analysts in relation to financial and extra-financial quality growth criteria. This occurs on a continuous basis through evaluation by the investment team, contact with companies as well as through industry and other sources, such as broker research and the occasional use of screening tools.

2. Watchlist

Where companies pass our initial screening, they are considered as potential investment ideas and are added to a 'watchlist'. The investment team conducts the following activities for watchlist companies:

- Fundamental analysis of companies, competition, markets and ESG factors
- Assessment of growth potential using qualitative analysis and proprietary forecasts
- Meetings with management, and potentially also competitors, suppliers, customers and industry experts

We are focused on conducting our own fundamental in-house research and we will collaborate with specialised industry consultants to access key insights. The integration of ESG analysis is an important research element in building conviction levels about the true quality and sustainability of the business model of a company. ESG research during this phase may also lead to identifying significant ESG-related competitive advantages and growth engines.

3. Universe

Comgest's Universe for each strategy represents a list of quality growth companies that have been rigorously selected and may be included in portfolios. A unanimous team decision is required for inclusion in the Investment Universe. Assessing whether a stock will make Comgest's "quality growth grade" is a rigorous and often lengthy process. It can take anywhere from several months to several years to build the necessary conviction.

When moving from the watchlist to the universe of eligible investments, a risk assessment is summarised into what the company and ESG analysts believe to be the most material sustainability issues including those that could have an impact on a company's performance and share price.

We analyse how the identified ESG sustainability risks contribute to broad risk headings such as governance risk, reputation risk, regulatory and litigation risk, operational risk, demand shift risk, sourcing /supply chain risk and corporate culture risk, recognising that the materiality of certain ESG risks can vary from industry to industry and region to region.

As our ESG integration process progresses, we analyse matters where there is less certainty about the risks or an unavailability of data. In these cases, our direct dialogue with and knowledge of the company, experience and judgement is required when coming to an overall opinion.

This advanced stage of the ESG research process also helps analysts identify companies for engagement, a process which may even commence prior to investment. We meet with companies and conduct open dialogue to construct our investment thesis.

4. Valuation

The team constructs conservative five-year earnings and dividend discount models for all Investment Universe stocks, based on proprietary estimates. The discount rate used in valuations take into account country risk, equity risk and ESG risks/opportunities identified throughout the process.

For companies that have been assigned an ESG Quality Level, a company-specific ESG discount rate is applied to the overall discount rate used in the company valuation process. Impacts can be either positive or negative, depending on whether the Quality Level reflects an overall ESG risk or opportunity. Refer to section 3.1.5 for further information.

Discount rate components:

Risk-free rate
(country/regional government bond yield)
+
Equity risk premium
+
Company risk factor: business model
+
ESG rating impact*

*for companies with an assigned ESG Quality Level

5. Portfolio construction

Based on team discussions, we select companies from the Investment Universe to create concentrated portfolios, assigning weightings based on the relative attractiveness of each company. When adding a company to a portfolio, ESG integration contributes to all three components used in determining the weight of a holding:

- Visibility of earnings / overall quality of the business
- Attractiveness of valuation at any point in time
- Growth potential; and

Each of these three characteristics involves elements of our ESG integration process:

- **Earnings visibility / quality**

The portfolio managers carefully consider the visibility of a company's future earnings which depends on the overall 'quality' of the business according to our selection criteria. In this assessment, many ESG-related items come into consideration such as governance structure, stakeholder relationships, transparency of management, controversies and other material sustainability risks and adverse impacts.

- **Attractiveness of valuation**

ESG considerations are taken into account within the company-specific discount rate used in our models (refer section 3.1.5), directly impacting the calculation of potential upside (financial return) with reference to a company's prevailing stock market valuation. Lower ESG risk leads to higher potential upside, a factor considered in the position sizing process.

— **Level of growth**

The ESG profile of a company can impact our estimate of the level of growth. Companies with strong ESG credentials may have a higher probability of delivering longer duration growth. For companies with significant ESG risks that may materialise into financial risks over our 5-year investment horizon, we are likely to assign a lower confidence level to forecasted growth rates.

In the spirit of our ESG integration approach, Comgest is prepared to invest in companies with a lower ESG Quality Level where there is an identified opportunity for improvement. In such cases, the heightened ESG risk of the company is reflected in the higher discount rate applied to the valuation, which impacts the investment team's projected upside on the stock. Where companies identified for improvements have not demonstrated progress towards those measures over time despite our engagement with them, Comgest may escalate its engagement with the company or eventually divest.

ESG exclusions

To help reduce risks linked to ESG factors, we may apply targeted exclusion policies for certain activities where sustainability risks or adverse impacts tend to be more significant (including controversial weapons, tobacco and coal). For further information on our exclusion policies please refer to our Comgest Group Exclusion Policy as well as our Plus Funds Exclusion Policy.

Ongoing monitoring and approach to higher ESG risk profile companies

Investee companies across all strategies are then monitored on an ongoing basis from an ESG perspective. The purpose is to identify ESG events (controversies, change in corporate structure, change of board / management, etc.) which could affect companies' ESG / quality profile, valuation and/or reputation. Where material events occur, the ESG assessment would be revised accordingly and the investment case could be re-assessed. This monitoring is conducted systematically for all strategies using third party tools that provide real time updates on changes in governance and new controversies. The ESG Team provides an update to the relevant investment teams on alerts they have received.

A differentiated approach for article 8 products: ESG Review of the Market

For Comgest's public funds classified as Article 8 under the SFDR as well as certain mandates, Comgest undertakes an ESG review of the market to identify companies that have an ESG score in the top 80% of scores assigned to companies reviewed by Comgest using its proprietary ESG scoring tool.

— **Definition of the investable market:**

For the purposes of the ESG review, the market is defined as the constituents of the comparative index for the fund (or a different appropriate index where specified in the fund documentation), with the addition of companies not listed in the relevant index and which Comgest has identified as potentially eligible for investment by the fund.

— **Identification of 80% top ESG performers within the investable market:**

An internal assessment of the risk of companies impacting environmental (climate change, natural capital, pollution and waste), social (human capital, product liability) and governance (transparency risk and systemic risk) factors is carried out for all industry sectors/sub-sectors. Where the result of this internal sector/sub-sector assessment considers a company has a high or medium risk of impacting the relevant E, S and G factors, a negative adjustment is applied to the external E, S or G ratings for the company. The results of the internal assessment are also used to determine the relative weight attributed to the E, S and G scores when aggregating the three to produce the overall ESG score, with a high or medium risk of impacting the relevant E, S or G factors being weighted more heavily.

For example, Comgest's internal assessment for the mining industry considers that companies operating in that sector present a high risk of impacting the E factors of climate change and pollution. Therefore, the external E rating for companies in this sector would be negatively adjusted and those E scores would carry a greater weight than mining companies' S or G scores (assuming their risk of impact on relevant S and G scores is rated low or neutral) when aggregating the E, S and G scores to produce an overall ESG score.

Where external ESG ratings are not available or where Comgest believes that the external data is incomplete or not reliable, a company may be assessed using the Investment Manager’s proprietary methodology which will assign a quality level to the company taking into account the Investment Manager’s research and analysis of material E, S and G factors, risks and opportunities. Where a company is assessed with a quality level between 1 to 4, it will qualify to be included in the top 80%. Where no external rating or internal assessment is available, the company is not included in the 80-20 review or, by consequence, in the investable market.

The bottom 20% of companies are then included on an exclusion list which is updated on a quarterly basis and are no longer eligible for investment by the fund. The ESG review will apply to at least 90% of the Fund’s investee companies. The ESG review process may also be applied to dedicated mandates where requested.

(e) Impact on Valuation

Definition of the ESG Quality Level

As a result of our proprietary ESG assessment process, an overall ESG Quality Level may be assigned to each company, ranging from 1 (leader) to 4 (improvement expected) using an internal rating system as described below. The Quality Level reflects the consensus opinion of the company analyst and the ESG Team.

COMGEST ESG QUALITY LEVEL	DISCOUNT RATE IMPACT	SUMMARY DESCRIPTION
1 **ESG Leader**	**Lower** -50bps for developed markets -100bps for emerging markets	• Meets Comgest's "quality growth" selection criteria to qualify for the investment universe and Comgest's governance criteria[2] • Significant ESG-related competitive advantage(s) and/or growth engine(s) • Sustainability embedded in corporate culture • High quality disclosures regarding material sustainability risks • Excellent mitigation of inherent ESG risks • Excellent response to any other material ESG issues if they arise
2 **Good ESG Quality**	**Neutral** No impact on the discount rate	• Meets Comgest's "quality growth" selection criteria to qualify for the investment universe and Comgest's governance criteria[2] • Acceptable level of disclosure regarding material sustainability risks • Good mitigation of inherent ESG risks • Adequate response to any other material ESG issues if they arise • May be exposed to significant ESG opportunities, but it does not meet the criteria to qualify as an ESG Leader
3 **Basic ESG Quality**	**Higher** +100bps for developed markets +150bps for emerging markets	• Meets Comgest's "quality growth" selection criteria to qualify for the investment universe and Comgest's governance criteria[2] But, these companies exhibit <u>one or more</u> of the following elements: • Disclosure is suboptimal regarding material sustainability risks • A weakness is detected in the mitigation of inherent ESG risks or the company's response to other material ESG issues • Recurring non-material ESG controversies
4 **ESG Improvement Expected**	**Higher** +200bps for developed markets +300bps for emerging markets	• Meets Comgest's "quality growth" selection criteria to qualify for the investment universe and Comgest's governance criteria[2] But, these companies exhibit a clear need for improvement in <u>one or more</u> of the following elements: • Disclosure regarding material sustainability risks • Mitigation of inherent ESG risks • Response to other material ESG issues • Exposure to significant and recurring ESG controversies

[2] Comgest's governance principles: long-term performance orientation, accountability and transparency, honesty and integrity, shared purpose and engagement

Impact on company discount rates used in our valuation models

As displayed above, ESG Quality Levels result in a company-specific ESG discount rate being applied to the overall discount rate used in the company valuation process. Impacts can be either positive or negative, depending on whether the Quality Level reflects an overall ESG risk or opportunity.

As ranges of company discount rates are different according to whether it is a developed market or an emerging market investment universe, ranges of the ESG discount rate component also differ accordingly.

DEVELOPED MARKETS

ESG QUALITY LEVEL	ESG DISCOUNT RATE
1	-50 bps
2	0 (no change)
3	+100 bps
4	+200 bps

EMERGING MARKETS

ESG QUALITY LEVEL	ESG DISCOUNT RATE
1	-100 bps
2	0 (no change)
3	+150 bps
4	+300 bps

2. Active Ownership

We are long term investors with an investment horizon of over five years. We manage high conviction, concentrated portfolios and aim to develop strong relationships with our companies. Our investment team researches these companies intensely over many years, building deep knowledge of their businesses and the ecosystems in which they operate. Maintaining an active dialogue with investee companies is a key element of our investment process.

In light of this investment approach, we are well-positioned to benefit from companies improving their sustainability practices. Active ownership, combining company engagement, voting and broader advocacy efforts, is therefore key to our strategy of delivering long-term performance to our investors.

We believe that active ownership can result in tangible improvements to companies' operations and earnings sustainability and thus be key to delivering long-term performance to our investors.

Please refer to our Active Ownership Policy for details concerning our engagement and voting approach and principles, escalation process and our approach to managing ESG-related conflicts of interest.

3. Partnership

(a) Working alongside clients

Tailoring to bespoke ESG needs

The development of a trusted partnership with our clients is a key element in implementing our philosophy. We consider it a privilege to manage assets on behalf of our clients and with this comes a duty to understand their priorities, their needs and to provide high-quality performance, servicing and reporting. Where possible, Comgest is pleased to help clients develop and implement their own policies as well as tailored ESG reporting.

Working together to drive change

As part of our active ownership strategy, we are pleased to partner with our clients in order to drive positive change for example through combined engagement activity.

Knowledge sharing

Comgest is always pleased to exchange with clients on evolving ESG topics. We participate in a number of knowledge-sharing activities with our clients including dedicated training sessions and events.

(b) Advocacy initiatives

Our independent ownership structure is regarded as a key advantage to implementing an unbiased and successful advocacy strategy.

In delivering our highly active, quality-growth investment approach, we seek to identify market-wide and systemic risks affecting the commercial and financial landscape in which issuers operate. We do this through our own research and engagement and through our support for industry-wide initiatives.

Whilst many sources of systemic risk are largely out of our direct control, such as the respect for the rule of law in various countries, human rights and government policy, our policy is to engage actively with industry participants, where possible, in an effort to collectively seek to reduce these risks over time and to encourage better-functioning financial markets. These initiatives help us to deepen our understanding of market-wide and systemic risks and add our weight to efforts to respond to them. They also provide us with an external lens through which we can analyse our effectiveness in responding to such risks and any implications for our portfolio companies.

Our advocacy work may target industry participants such as regulators, policy makers, governments and a broad range of financial industry stakeholders (e.g. our peers, industry bodies, asset owners, SRI label providers, consultants, etc.). Our areas of advocacy focus may evolve according to our engagement priorities.

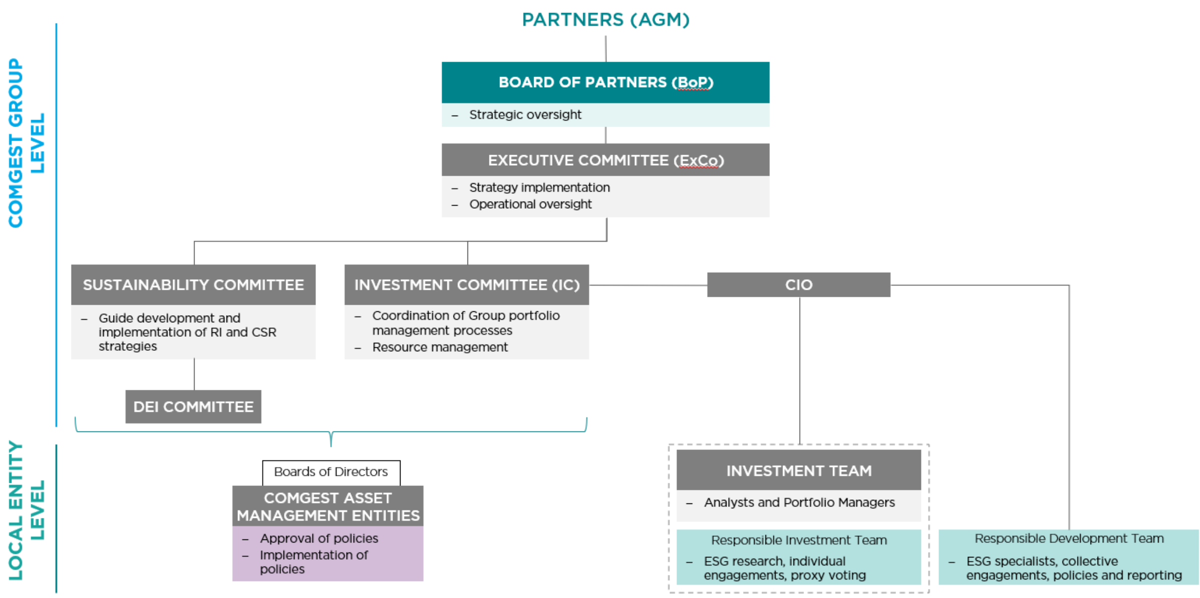
We implement our advocacy activities either directly or by joining industry and/or collaborative initiatives. Activities may include the signing of investor statements, participation in public and private working groups and responding to industry consultations. We demonstrate our support by adhering to a number of industry Stewardship Codes (e.g. UK, US and Japan Stewardship Codes).

The full list of our advocacy activities can be found on our website.

D. GOVERNANCE AND RESOURCES

1. Responsible investment governance structure

Comgest is an independent asset management group owned by its employees and founders. This ownership structure is central to develop and implement our responsible investment approach and sustainability strategy. It is supported by a governance structure at our holding company level which includes the following governance bodies: a Board of Partners (BoP), an Executive Committee, an Investment Committee and a Sustainability Committee.



- The **Board of Partners** of Comgest Global Investors, S.A.S. serves as the strategic oversight body for the Group.
- The **Executive Committee** brings together the investment and operational sides of the business to ensure that strategic initiatives meet client and regulatory concerns and that the operational support is provided to manage risks and deliver on opportunities.
- The **Investment Committee** is chaired by the CIO and is responsible for overseeing portfolio management processes across the Group entities, including ESG integration.
- While the Group level governance helps to ensure a common strategy and approach, the **asset management entities of the Comgest Group** are responsible for approving and implementing the policies in the day-to-day activities.

Comgest Sustainability Committee

Chaired by Comgest's CIO, Comgest's Sustainability Committee maintains high-level oversight of all ESG and CSR related activities and serves to assist the broader Comgest partnership and the Boards of the Group entities in the application of the Group's Responsible Investment Strategy ("RI Strategy") including the monitoring of the Group's stewardship activities, initiatives (including climate change and biodiversity) and commitments.

The Sustainability Committee is responsible for defining the Comgest Group RI Strategy, monitoring the Group's stewardship activities and responsibilities, overseeing the implementation of the RI Strategy and ensuring that this is correctly reflected in Comgest's policies, statements and reporting. Its members represent a wide variety of teams including Portfolio Management, ESG, Compliance, Risk, Marketing, Investor Relations, and Operations.

The Sustainability Committee also seeks to assist Group entities in their understanding of regulatory, market or commercial developments with respect to responsible investment and the recommended course of action.

The Sustainability Committee's mandate and key objectives are to:

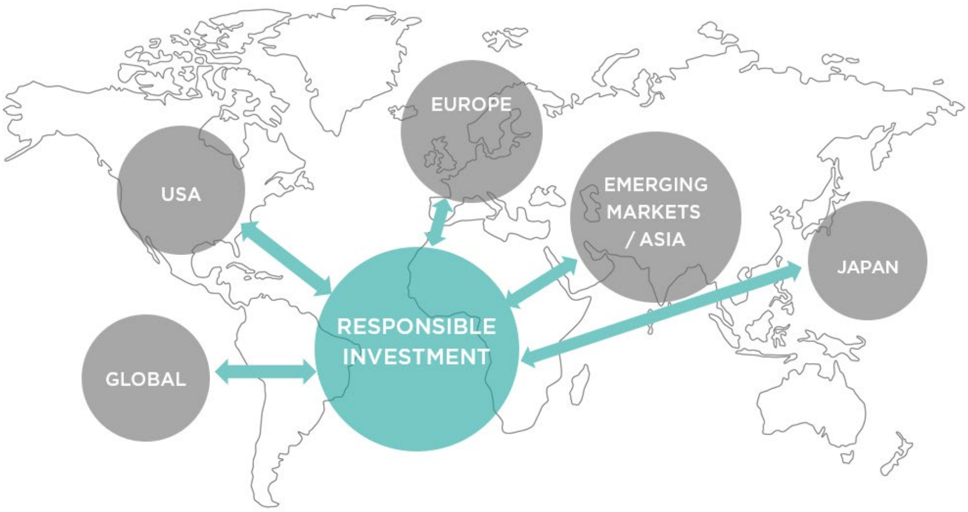
- Assist in the further definition of the Group's RI Strategy
- Ensure the RI Strategy is adequately articulated in the Group's policies, operations, and disclosures
- Oversee the implementation of the RI Strategy
- Guide the development of Comgest's CSR Strategy
- Address ad hoc sustainability matters that may be raised to the Committee

The Committee convenes monthly and addresses an evolving agenda in line with the business's activities. At each meeting, a recurring report is reviewed which includes material engagements, notable controversies and reputational risk events (if any). The Sustainability Committee prepares an annual report for the Executive Committee.

2. ESG resources

Investment Team

The Group's RI Strategy is implemented by the Group's regional investment teams with the ESG team as coordinators and stewards of the ESG integration process, under the supervision of the CIO and the Group Investment Committee. The investment team includes dedicated ESG analysts organised by region.



With Comgest's singular, quality-focused and long-term approach to investing, we regard ESG credentials as an important component within the investment team's selection criteria.

We believe that our approach of integrating ESG responsibility within the investment team has important benefits in terms of stewardship. Comgest's investment strategy is based on acquiring a deep knowledge of our portfolio companies and building relationships with their management over many years. The investment team members not only conduct ESG research but also engagement activities and they are responsible for voting decisions.

Our structure ensures that investment professionals who have the deepest understanding of our portfolio companies, and the context in which they operate, are able to bring that knowledge into our proprietary ESG analysis.

Dedicated ESG resources

The ESG team is responsible for the day-to-day implementation of the firm's ESG framework, at both corporate and portfolio-level. With Comgest's integrated ESG approach, all members of the broader investment team are also highly involved in the implementation of the framework at portfolio level as ESG analysis and active ownership forms part of their daily investment work.

Comgest's dedicated ESG team fulfil two distinct functions: Responsible Investment and Responsible Development. Both functions directly report to Comgest's Chief Investment Officer ("CIO").

- The Responsible Investment function is carried out by experienced investment professionals, each focused on company coverage within specific geographic regions. Importantly, they are embedded within Comgest's investment team, rather than operating as a siloed function. As an integrated part of the investment team, the ESG analysts work alongside our company analysts attending company meetings, performing research and conducting proprietary ESG assessments. They also participate in proxy voting, individual company engagements and broad ESG research.
- The Responsible Development function comprises a specialist team leading thematic and collaborative engagement on topics such as climate change, biodiversity, and human rights. The team oversees ESG strategy, advocacy initiatives, policies, regulations, internal training and communication of Comgest's RI strategy.

A number of other Comgest professionals are involved in Responsible Investment implementation including members of the middle office, project management, compliance, risk, legal, data management, investor services and marketing & communication teams.

3. Incentives

Comgest's broad employee partnership structure and its remuneration policy are designed to incentivise long-term thinking and behaviour.

With our broad partnership structure, all senior management personnel at Comgest who have been with the firm for several years are partners of the firm, that is personally and materially invested in the share capital. As with all employees, Comgest employs a mix of short- and long-term employee incentives for senior management which are reflected in our bonus systems and equity ownership structure. Our underlying goal is for our incentive system to help drive long term product performance and team stability. We believe that the long-term success of the company is dependent largely on the long-term success of the companies we invest in, which we strongly believe can be enhanced by ESG factors.

Amongst the Executive Committee members are a number of investment team professionals who are all subject to variable remuneration which incorporates specific ESG criteria, as described in our remuneration policy.

For the investment team

All members of the investment team are encouraged through their objectives and annual performance evaluation to properly implement the RI Strategy and systematically take ESG factors into account in their investment analysis and decision-making processes.

Variable compensation is based on a set of quantitative and qualitative criteria that favour processes and behaviour over outcomes. This is based on our belief that quality research inputs combined with sound methodology typically lead to positive outputs over the long-term, whilst short-term outcomes can be random. The assessment incorporates responsible investment criteria including ESG integration, identification of sustainability risks, quality of engagement and participation in ESG training.

4. ESG tools and data

To gather ESG information, Comgest uses its own research, the services of independent external service providers and information released by the companies themselves. Comgest's ESG research is conducted internally by the dedicated ESG analysts and the company analysts. Comgest does not rely solely on service providers' data, we apply our own analysis and insights to the raw data supplied. We value proprietary, fundamental analysis throughout our research process.

ESG data providers have been selected by Comgest based on ESG information quality and geographical coverage criteria. Examples of providers used include:

- MSCI ESG Research: general ESG data, climate scenarios modelling, physical risks analysis
- BoardEx: governance information
- RepRisk: controversies and reputational risks
- S&P Global Trucost: environmental data
- ISS-ESG: ESG information
- Bloomberg: ESG data

Other sources of information are also used, such as companies' CSR reports, information and alerts by specialist providers, contacts with companies and their stakeholders, companies' answers to the Carbon Disclosure Project (CDP) questionnaires (climate change, water security, forests), brokers' reports, NGO reports, media reports and academic research.

In order to collect and share ESG data and information more efficiently within Comgest, we have developed several in-house tools including central "dashboards" hosting key information at security and portfolio level. We also maintain a bespoke ESG assessment tool that summarises key metrics alongside our proprietary research on portfolio companies.

E. REPORTING & TRANSPARENCY

Comgest considers the timeliness and quality of client reporting a core component of its portfolio management services. We follow a principle of maximum transparency, which we believe is essential to building trust and long-term client partnerships. We provide regular, standardised reporting and are able to tailor information to meet specific client needs. We also regularly add to our library of investment publications.

We know that the information we provide may be helpful to our clients in demonstrating how they have fulfilled their own ESG responsibilities to their stakeholders.

- **Annual Stewardship Report**: as a signatory to the UK Stewardship Code we publish an annual report, which details how we have applied the 12 Principles of the UK Stewardship Code throughout year and how we continue to invest in and develop our stewardship activities in line with our mission, our investment philosophy and our business model.

- **Annual Responsible Investment Report**: this comprehensive report is compiled at firm level and for selected strategies. The report covers the 4 core elements of TCFD’s recommended climate-related financial disclosure (governance, strategy, risk management and metrics and targets).

- **Quarterly Responsible Investment Report:** this includes details on voting activity, company engagement and outlines our involvement in industry and collaborative initiatives.

- **Monthly and quarterly fund factsheets:** these contain ESG information pertaining to ESG labels, regulatory classifications as well as key ESG metrics at fund level.

- **Bespoke reporting:** where possible, Comgest is pleased to help clients develop and implement tailored ESG reporting to help them to meet their information needs.

- **Proxy voting dashboard:** a summary of Comgest’s voting activity for each investee company. This dashboard is updated daily and voting results are visible with a 90-day lag.

- **Pre-declared proxy voting intentions**: where applicable, Comgest’s pre-declared voting intentions are available on Comgest’s website.

- **Regulatory reports:** including the **Annual PAI Statements** and the **SFDR Annual Periodic Disclosures** can be found on Comgest’s website.

- **UN PRI disclosures:** our **PRI Transparency Report** and **PRI Assessment Report** are also available on Comgest’s website

APPENDIX I

GOOD GOVERNANCE POLICY FOR SFDR ARTICLE 8 PORTFOLIOS

This policy sets out additional information regarding the assessment of good governance for investee companies within Comgest's portfolios categorised as promoting environmental or social characteristics under Article 8 of the SFDR.

We believe that good governance is critical to the efficient and effective operation of any company. In accordance with the SFDR, all investee companies in these portfolios must follow several key good governance principles listed in the sections below. Therefore, Comgest's investment process systematically considers these good governance principles for all stocks in these portfolios.

This policy forms part of our overall approach to Responsible Investment.

1. COMGEST GOVERNANCE PRINCIPLES

As set out in Comgest's Responsible Investment Policy, Comgest looks for and encourages all the companies it invests in to apply the following four principles in their governance systems:

- **Long-term performance orientation**: companies should think big and plan long. Boards of directors, management and employees should be responsible for ensuring continuous improvement through all levels of the organization. Innovation and initiative should be part of the corporate culture. We believe a long-term performance orientation leads to better personal, team and financial performance and encourages employees to 'go the extra mile' for customers and shareholders.
- **Accountability and transparency**: executive and non-executive directors need to take full ownership of their duties and responsibilities, share information in a sufficiently open and timely manner, be able to answer questions and explain decisions, uphold trust and confidence and be fully accountable for the consequences of their actions.
- **Honesty and integrity**: compromising honesty and integrity can be disastrous for a company's image, brand, morale and performance. Qualities, attributes and competencies that nurture and embrace honesty and integrity are vital to keeping a company whole, internally and externally. Companies should be vigilant, reliable and constantly seek to earn the trust of employees, customers and shareholders.
- **Shared purpose and engagement**: both executive and non-executive directors should align their own interests with what is best for the company. Managers should lead by example with respect to all of the company's stakeholders and successfully engage with them via their vision, leadership and capacity to inspire trust. Similarly, each employee should understand how his or her role contributes to the successful realization of the company's business purpose. Fundamentally, a company is a team and it takes a strong team of highly motivated people to achieve outstanding and sustainable long-term performance.

Comgest aims to encourage and reinforce the inherent values contained within these four principles. In making its investment decisions, it looks for companies that are led by executive directors and guided by non-executive directors who embody, demonstrate and perpetuate these values.

2. GOVERNANCE INDICATORS APPLIED BY COMGEST

We further assess the governance indicators listed below that we consider most important and likely to impact companies:

Sound management structures

In order to assess the management structure of an investee company, Comgest evaluates among other factors the investee company's board size, board structure, board independence, board gender diversity, board committees, board skill sets and any executive misconduct.

Tax compliance

In our view the effective tax rate of a company is a good proxy (when it is compared with the statutory tax rate) to gauge the contribution of the company to society. Indeed, when companies pay their fair share to society (i.e., when they do not adopt irresponsible aggressive tax optimization strategies), they positively contribute to the financing of pensions and health insurance systems, to public transportation infrastructure, etc. This responsible behaviour allows companies to sustainably keep their social license to operate. This is why, with regards to tax information, we expect transparency from companies to allow us to form our own view of their tax strategy. Notably we think country-by-country reporting is a best-practice and we expect companies to report on tax-related risks.

To ensure our investee companies comply with their tax obligations, we assess the difference between their effective tax rate and the weighted average of statutory rates or ‘tax gap’. We assess our investee companies’ disclosure on how they address tax-related risks, including information on overarching policies and governance of the issue. We also take into consideration publicly reported cases of inappropriate tax practices within our portfolio companies.

Employee relations

We believe that investing in companies which show best practice when it comes to human capital will better manage downside risks while the best performers in this area will enjoy an improved risk/return performance. In assessing employee relations, we look at the company’s performance in the following areas:

- **Human rights and labour rights**: Companies have the responsibility to respect the freedoms and rights of humans as enshrined in the Universal Declaration of Human Rights, the Guiding Principles on Business and Human Rights and the core standards of the International Labour Organization (ILO). Comgest expects and encourages companies to disclose an explicit policy to observe human rights for their own operations as well as for their supply chains, particularly if they are in a country or sector with higher exposure to these risks. Child and forced labour are unacceptable and employees have a right to reasonable working hours and fair wages without any gender distinction. All companies should strive for diversity and inclusion within their workforce and management teams. Comgest believes that everyone is entitled to equal opportunities, the freedom of association and the protection against any form of discrimination.
- **Human capital**: The company’s focus on attracting, developing and retaining talent directly through employees, or indirectly through suppliers and the contribution of talent management to the success of businesses.
- **Employee health and safety**: Good employment conditions and the promotion of employee satisfaction is important to promote a safe and healthy workplace. Companies should actively monitor health and safety through management systems, within their own operations and their supply chains. Companies are also expected to provide a robust whistleblowing mechanism which allows employees and third parties to report on violations of workplace rules on health, safety, employee welfare or corruption.

We take these different factors into account both in regard to the companies’ current position on these points as well as how they have been progressing to achieve these if not already in place.

Comgest uses the UN Global Compact to identify and assess the Responsible conduct of businesses and potential human rights violations. The 10 principles of the UN Global Compact as well as the OECD’s Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights provide a good framework for companies to commit to and for investors to measure a company’s progress. Comgest also uses data provided by MSCI ESG Research on human rights, labour rights and human capital scores to assess our investee companies.

Remuneration of staff

Remuneration structures of investee companies should reinforce, and not undermine, sustained value creation. We expect companies to compensate their employees in a manner that is satisfying and reflective of their true contribution to their collective success. The issues around talent attraction and retention, as well as human dignity and paying a fair wage, are critical to the health and development of companies and their employees.

Performance-based remuneration for management should incorporate risk, including measuring risk-adjusted returns, to help ensure that no inappropriate or unintended risks are being incentivised.

In the majority of cases, Comgest believes that a company should design and implement a simple and coherent remuneration structure for all levels of management within the organization via collaboration between the remuneration committee and the company's human resources department.

Comgest takes into account multiple factors when evaluating a company's executive and employee remuneration including consideration of company practices in relation to equity-linked instrument plans, performance shares and the use of free/discounted shares as incentives for employees. Further details on Comgest's policies in relation to investee company remuneration and compensation are set out in our Voting and Engagement Policy.

3. WHAT INTERNAL OR EXTERNAL RESOURCES ARE USED TO ASSESS OUR INVESTEE COMPANIES?

To gather information on investee companies' good governance practices, Comgest principally uses its own research, the services of independent external service providers (including MSCI ESG Research and RepRisk) and information released by the companies themselves.

Other information sources used by Comgest's analysts may include: brokers' reports, NGO reports and academic research.

4. HOW DOES COMGEST PERFORM ITS ASSESSMENT?

Using the above-mentioned governance indicators, its own research and data obtained from external data providers, Comgest's analysts form their opinion as to each company's good governance practices. When performing their assessment, they take into account a variety of factors such as the investee company's country of origin, applicable local laws and practices as well as any commitments taken by the investee company to improve any shortcomings.

A governance assessment is performed for all investee companies which need to have positive governance aspects with limited need for improvements.

In addition, the ESG analysts also monitor and evaluate the number of controversies and their severity regarding the above-mentioned governance indicators as well as proven breaches to the 10 principles of the UN Global Compact.

5. HOW DOES COMGEST ENSURE THAT INVESTEE COMPANIES CONTINUE TO FOLLOW GOOD GOVERNANCE PRINCIPLES? HOW ARE ANY CONTROVERSIES MANAGED?

As an active manager, Comgest continues to research and monitor the activities and governance of its investee companies on an ongoing basis. It actively reviews shareholder resolutions, votes at annual general meetings and engages with the company. The company and ESG analysts track news flows on a company to remain aware of alerts and controversies, including any controversies related to governance.

Controversy monitoring is mainly done using the tools of our various ESG research suppliers (including RepRisk, MSCI, Bloomberg and ISS) but we also draw on other sources such as brokers and the generalist and specialist media. When a controversy affecting a company comes to light, its content, source and the number of sources reporting it are reviewed by Comgest's analysts. If the controversy is considered both credible and material, it is shared internally for further review. Comgest analysts may approach the company in question and perhaps other affected stakeholders to assess its truth and potential impacts. The content of controversies may be shared with our clients as part of our engagement reporting.

APPENDIX II

CLIMATE CHANGE POLICY

1. INTRODUCTION

Our climate is warming at unprecedented rates and human activities are responsible for it. Rising temperatures have already led to irreversible impacts across ecosystems (i.e., terrestrial, freshwater, ocean) and human systems (i.e., water scarcity and food production, health and well-being, cities, settlements and infrastructure) worldwide. Every additional increment of global warming will increase the frequency and intensity of weather events and will translate into additional severe risks for businesses, people, and nature. At the same time, curbing global greenhouse gas emissions will imply a far-reaching transition across all sectors translating into both transition risks and opportunities for companies.

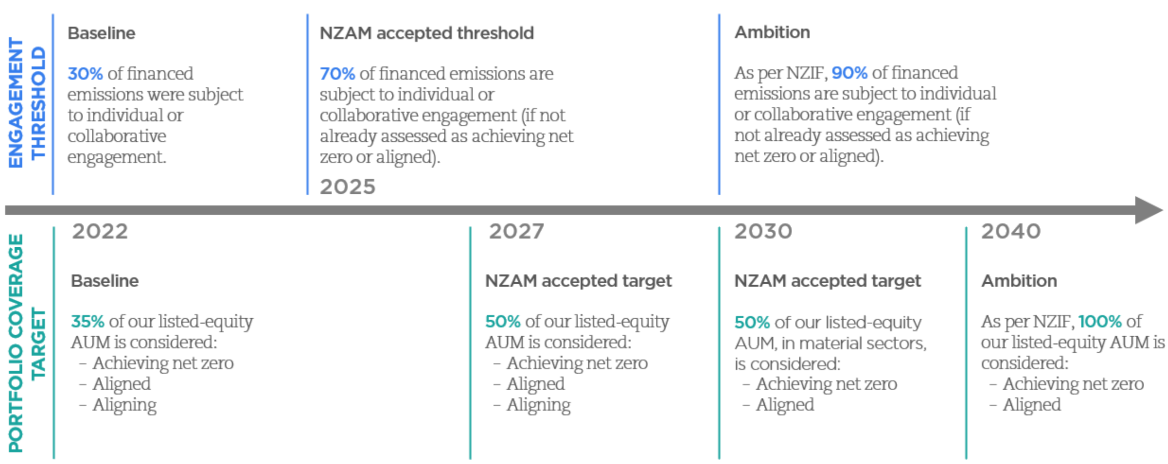
Being a signatory to the Net Zero Asset Managers (NZAM) initiative and supporting the global goal of net zero greenhouse gas emissions by 2050 across all our listed equity assets allows us to better navigate these climate-related risks and opportunities. This commitment is strongly linked with our overall investment philosophy. As long-term quality growth investors, we believe that understanding our investee companies' climate-related risks and opportunities and engaging with them on material climate issues strengthens our research and investment process to deliver durable earnings to our clients.

We recognise the climate challenge ahead is immense. We cannot divest ourselves of net zero. Success in achieving net zero portfolios relies on the world achieving a net zero economy and numerous stakeholders, including governments and companies, following through with their own commitments. Partnership – with clients, companies, industry peers – and active ownership are central to our climate approach.

2. SCOPE

We have translated our commitment to supporting the global 2050 net zero goal into short- and medium-term targets. These targets cover **100% of our listed equity AUM**, which include companies operating both in material[3] and non-material sectors. These targets allow us to prioritise our engagement resources on the highest-emitting companies facing the most stringent climate risks and assess companies' climate practices to further research their overall quality.

a) Targets: Portfolio coverage target and engagement threshold



[3] Companies operating in material sectors are defined by the NZIF methodology as Companies on the Climate Action 100+ focus list, companies in high impact sectors consistent with Transition Pathway Initiative sectors; banks; and real estate. Approximately 80% of our listed equity AUM is invested in companies operating in non-material sectors.

b) Target setting framework and methodology

We have selected the PAII[4] Net Zero Investment Framework (NZIF) to develop and set our targets.

i. Portfolio coverage target: Key assumptions

We have considered the following elements when developing our portfolio coverage target:

- **Company classification:** We use the NZIF six mandatory alignment criteria to assess companies' alignment categories. (See table 1)
- **Data source:** We use several sources to assess performance against each NZIF criteria. These include: SBTi, CDP, Climate Action 100+ and MSCI. Companies' alignment categories are reviewed by our ESG analysts.
- **Aggregation:** We have aggregated the data based on the weight of companies in our overall listed equity AUM.

[4] Paris Aligned Investment Initiative is delivered by four investor networks: IIGCC, Ceres, AIGCC and IGCC

Table 1. Alignment Criteria and Categories

Dark teal	Criteria for material and non-material sectors
Teal	Criteria for non-material sectors only
Light teal	Optional criteria

		Achieving Net Zero	Aligned to a 2050 Net Zero Pathway	Aligning towards a 2050 Net Zero Pathway	Committed to Aligning	Not Aligned
Ambition	A long-term 2050 goal consistent with achieving global net zero	Companies that <u>already</u> have current emissions intensity performance at, or close to, net zero emissions with an investment plan or business model expected to continue to achieve that goal over time	X		X	
Targets	Short- and medium-term emissions reduction target (scope 1, 2 and material scope 3)		X	X		
Emissions performance	Current emissions performance (scope 1, 2 and material scope 3) relative to targets		X			
Disclosure	Disclosure of scope 1, 2 and material scope 3 emissions		X	X		
Decarbonisation strategy	A quantified plan setting out the measures that will be deployed to deliver GHG targets, proportions of revenues that are green and, where relevant, increases in green revenues		X (material sectors only)	(X) (partial is sufficient)		
Capital Allocation	A clear demonstration that the capital expenditures of the company are consistent with achieve net zero emissions by 2050		X (material sectors only)			
Climate policy engagement	The company has a Paris Agreement-aligned climate lobbying position and demonstrates alignment of its direct and indirect lobbying activities					
Climate governance	Clear oversight of net zero transition planning and executive remuneration linked to delivering targets and transition					
Just transition	The company considers the impacts from transitioning to a lower carbon business model on its workers and communities					
Climate risk & accounts	The company provides disclosures on risks associated with the transition through TCFD Reporting and incorporates such risks into its financial accounts					

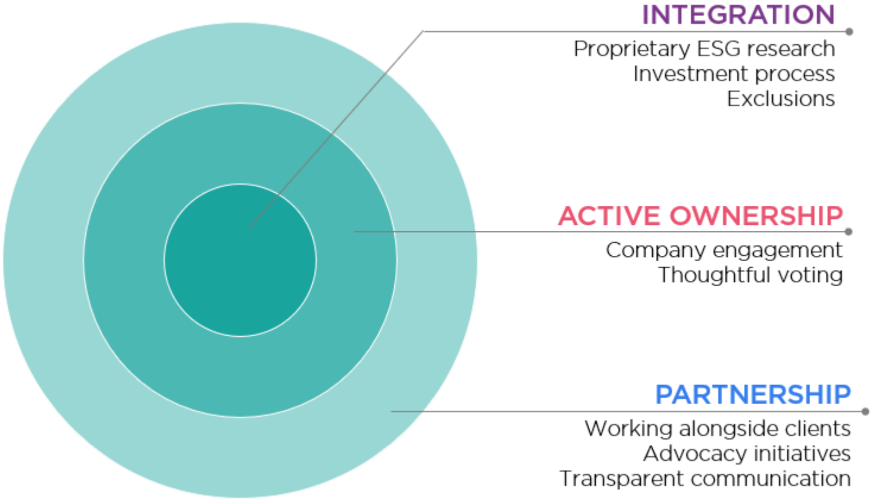
ii. Engagement threshold: Key assumptions

We have considered the following elements when developing our engagement threshold:

- **Data source:** Carbon emissions data and Enterprise Value Including Cash (EVIC) data are sourced from MSCI.
- **Scopes considered:** All three scopes of emissions have been considered to calculate financed emissions. The data used is either reported data or estimated data. Including scope 3 data (even if estimated) allows us to have a more comprehensive view of companies' impact and ensure highest emitting actors are targeted for engagement.

3. STRATEGY

Our climate strategy applies the three-pronged approach of our Responsible Investment Strategy:



a) INTEGRATION: Embedding climate in our investment process

i. Climate in our investment process

Material climate-related risks and opportunities are integrated into our analysis of companies and into our investment decision-making process. Our company and ESG analysts, who are regularly trained on climate-related topics, are responsible for identifying and assessing these material climate issues. We use both internal and external tools and data to carry out climate-focused research, notably:

- **MSCI's Climate Value-at-Risk:** to perform scenario analysis, at company or portfolio level, Comgest uses MSCI's Climate Value-at-Risk (Climate VaR) methodology to measure climate-related risks and opportunities within our portfolios. Based on the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations, this forward-looking and return-based methodology includes both transition and physical risk assessments. It can be negative (cost) or positive (gain) and the horizon is the next 15 years. Transition risk assessments include both policy risks and technology opportunities.
- **ESG dashboard:** our proprietary ESG dashboard summarises internal and external information relating to climate (emissions data, NZIF alignment categories, Climate VaR, etc.). This allows investment teams to have access to the latest climate-related information as an input to their research.

ii. Our stance on high impact sectors

Embedding climate into our investment process and managing climate-related risks also means developing a tailored approach for high impact sectors including oil & gas and coal sectors.[5] Exploration or development of new oil and gas fields, as well as the use of unconventional practices, have severe environmental impacts and face significant climate-related risks, notably transition risks (i.e., stranded assets risks). Hence, although energy and utilities companies are usually absent from or significantly underweighted in our portfolios, we screen our portfolios on a quarterly basis, using MSCI data and Urgewald's Global Oil & Gas Exit List (GOGEL), to identify all companies that are exposed to the following upstream, midstream and downstream activities:

Unconventional oil & gas extraction	Companies involved in the extraction of unconventional oil & gas, where unconventional is defined as: fracking, tar sands, coal bed methane, extra heavy oil, ultra-deepwater, and arctic drilling.
Upstream development	Companies involved in conventional and unconventional oil & gas upstream expansion projects, applying the following thresholds: — All companies that intend to add ≥20mmboe[6] of oil & gas resources to their production portfolio. — All companies that spend ≥USD 10 million annually on exploration
Midstream development	Companies involved in expansion of pipelines (developing ≥100km) and LNG terminal capacity (≥1Mtpa of annual capacity).
Downstream development	Companies developing gas-fired power (≥ 100 MW of gas-fired power capacity).

Captured exposure forms part of the overall ESG analysis of companies, and notably inputs to our analysts' assessment of ESG risks. Understanding companies' exposure to oil & gas development is also considered to define engagement objectives, as we acknowledge the importance of dialogue to support companies' transition over time to achieve real world decarbonisation.

Our exposure to fossil-fuel activities will be disclosed on an annual basis, to strengthen the transparency of our investment approach.

b) ACTIVE OWNERSHIP: Prioritising active ownership to accelerate real-world decarbonisation

Active ownership is central to our climate strategy and is a key lever we use to progress against our climate targets.

The guiding principles of our climate engagement activities are to support companies in:

- Setting a long-term 2050 goal consistent with achieving net zero globally; and
- Developing credible transition plans that set out how companies intend to navigate the transition to a net zero economy and deliver on their net zero pledges.

We acknowledge that we cannot engage efficiently with all of our investee companies and have therefore established the following criteria to prioritise our engagement targets:

[5] For details on thermal coal please refer to our Coal Exit Policy, included in our Group Exclusion Policy (Appendix V of our Responsible Investment Policy). For further details on oil & gas exclusions applied to our Plus Fund range please refer to our Plus Fund Exclusion Policy.
[6] Million barrels of oil equivalent

- **Percentage of financed emissions:** we prioritise engagement with companies representing the most significant percentage of our financed emissions.
- **Classification category:** we prioritise engagement with companies classified as "not aligned", "committed to aligning" and "aligning".

Our climate engagement approach includes both direct dialogue with companies as well as collaborative engagement; and aligns with specific guidelines on climate-related resolutions (i.e., we generally vote in favour of resolutions requesting companies to disclose climate-related information and set science-based targets, etc.).[7]

Our engagement tasks are tailored to each companies' specific context, but are grounded in assessing robustness of climate transition plans, using for instance the IIGCC "Investor Expectations of Corporate Transition Plans" five components:

1. Comprehensive, aligned emissions targets;
2. A credible strategy to deliver those targets;
3. Demonstrable engagement commitments to support the achievement of targets;
4. The contribution to climate solutions[8]; and
5. Supporting emissions and accounting disclosures.

c) PARTNERSHIP: Working alongside clients and peers to advance climate action

Reaching net zero implies a systemic transition of the economy. Therefore, partnership with industry peers to share knowledge and best practices, as well as to advance engagement with companies, where applicable, is important. Key initiatives we have joined to partner on knowledge exchange include: the Net Zero Asset Managers Initiative and the Institutional Investor Group on Climate Change. We also aim to work with our clients by providing them with climate-related information for their investments and helping them to progress on their own climate targets.

4. OVERSIGHT

The Sustainability Committee approves this policy which is reviewed at least annually. The Committee also oversees the policy's implementation as well as progress against our climate targets. The implementation of this policy as well as regular monitoring of the targets is conducted by the centralised ESG (Environmental, Social and Governance) team and the Risk management team.

The Sustainability Committee reports to the Group Executive Committee annually on the progress of the Responsible Investment strategy and is in charge of approving any adjustment measures suggested by the ESG team, as necessary, to stay on track with our climate targets.

5. REPORTING

Disclosures on climate metrics and targets, aligned with TCFD recommendations, are included in our PRI assessment reports as well as in our Annual Responsible Investment Report. The Annual Responsible Investment Report covers metrics and targets at group level, as well as metrics and targets for our main investment strategies. The also measure and report on our climate impacts and related mitigation actions through our Annual Statements of Principal Adverse Impacts of Investment Decisions on Sustainability Factors (PAI Statements).

These reports are available on our website.

[7] More details on our engagement approach can be found in our Active Ownership Policy.
[8] We recognise that not all companies are positioned to provide climate solutions. This component is therefore not applicable to all our investee companies.

APPENDIX III

DEFORESTATION POLICY

1. INTRODUCTION

Deforestation and natural ecosystem conversion have been proven to be important drivers of global warming, biodiversity loss and severe human rights violations of indigenous peoples and local communities. With Comgest's long-term investment horizon, it is clear that these environmental and human rights issues may have material impacts on the companies in which we invest.

Halting deforestation plays a key role in reducing such impacts and risks for businesses, people and nature. Agricultural commodity sourcing for palm oil, soy, cattle products, timber, and pulp and paper is by far the largest cause of deforestation and conversion. This means reducing agricultural commodity-driven deforestation for these four products has the potential to make a large and rapid positive impact on the climate and nature risks that we face as investors.

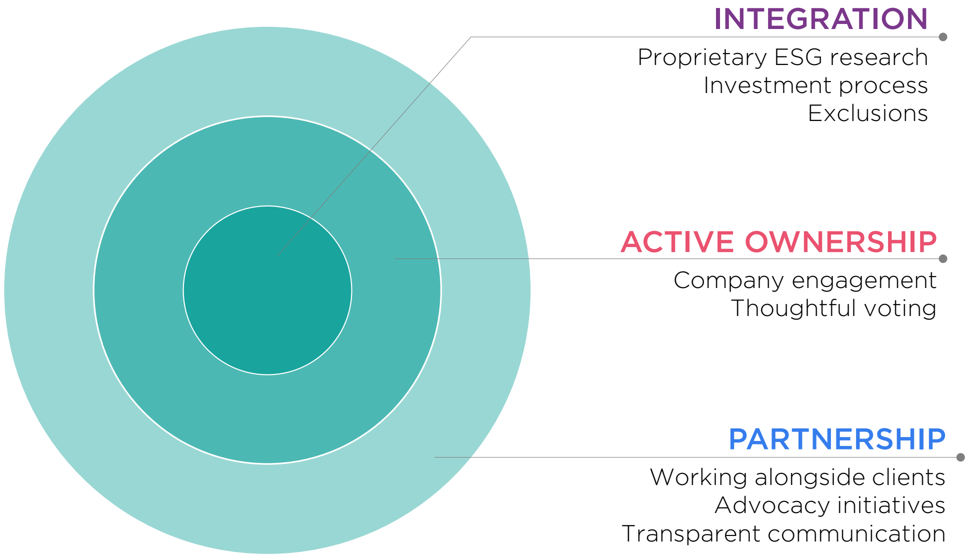
In order to take an active approach on addressing this important topic, Comgest became a signatory to the Financial Sector Commitment Letter on Eliminating Commodity-Driven Deforestation launched at the COP26 in Glasgow in November 2021. Investors having signed up to this commitment, including Comgest, agree to use their best efforts to eliminate agricultural commodity-driven deforestation linked to high-risk commodities – palm oil, soy, beef, leather, and pulp and paper – from their investment and lending portfolios by 2025. Comgest will report on its progress in reaching the different milestones to eliminate commodity-driven deforestation in our investments.

2. SCOPE

This policy applies to all relevant companies in our portfolios that are involved in the production and trade of high forest-risk agricultural commodities as defined above as well as companies that trade or use high forest-risk agricultural commodities.

3. STRATEGY

Our biodiversity strategy applies the three-pronged approach of our Responsible Investment Strategy:



1. Integration

(a) Embedding the assessment of deforestation-related risk within the investment process

To monitor and assess deforestation-related risks Comgest has first identified high-risk areas and activities. Not all sectors and geographical areas are affected in the same way and not all investee companies in our portfolios are involved in the production, trade, use or financing of forest-risk commodities which include palm oil, soy, cattle products, timber, pulp & paper.

Sectors and industries most exposed to deforestation include agriculture, food and beverage, automobile, textiles, chemical, personal care, retailers, pharmaceuticals, energy, construction, print publishing and forestry. Companies in these sectors/industries require heightened due diligence.

(b) Company level deforestation risk assessment

Using data from multiple external providers (MSCI, Forest 500 and the CDP Forest Questionnaire) Comgest screens its investee companies to identify the ones that are most exposed to deforestation-related risks and assess how they are addressing and managing these risks.

The **MSCI screen** helps us identify companies that either directly or indirectly potentially contribute to deforestation-related risk.

The **Forest 500** covers 350 companies and 150 financial institutions who are regarded as the most influential companies in the deforestation-related commodity supply chains. The selection of companies is updated every 2 years and companies are annually assessed on a broad range of indicators related to deforestation and human rights. The review of the report enables us to perform a high-level risk assessment and identify companies that are most exposed to deforestation risk and to identify companies that should be prioritised for engagement. By identifying companies with low scores in the Forest 500 report we can identify gaps in their approach on deforestation and human rights and engage with the companies on how to improve their approach to align with best practice. Companies with higher scores will continue to be monitored.

The **CDP Forest Questionnaire** is an annual questionnaire sent out on behalf of signatory investors to thousands of companies, covering deforestation. This questionnaire goes out to 1,500 companies involved in the key commodities responsible for most deforestation. Companies are asked about their policies, use of commodities, traceability and certification. The review of the responses allows us to assess whether companies have in place an awareness of deforestation risk and policies to address it effectively. Non-responders and responders with low scores are a priority for collaborative and individual engagement.

Information obtained from the above-mentioned sources will be factors that our ESG and company analysts take into account when performing sustainability risk and principal adverse impact assessments for investee companies in the high-risk sectors/industries outlined above. The ESG and company analysts will review metrics including Forest 500 and CDP scores as well as, where available, the companies' overarching commitment on deforestation, their commitment to a traceable supply chain, risk assessments performed on deforestation-related risks, human rights abuses associated with deforestation and their transparency in reporting progress against their commitments. Our analysts' findings will be incorporated in the ESG assessment for the investee company and will help the ESG and company analysts to define engagement priorities for companies with heightened deforestation-related risks.

(c) Overall assessment of Comgest's exposure to deforestation-related risks

By carrying out the deforestation-related risk assessment at investee company level, Comgest can assess and report on its overall exposure to deforestation-related risk and identify opportunities to drive change through company engagement and advocacy initiatives.

2. Active Ownership

To maximise the impact of the engagements we carry out on deforestation and wider ESG topics, we combine several approaches.

(a) Individual engagement

Individual engagement is ideal for maintaining an ongoing dialogue with companies and monitoring progress against sustainability targets.

Through our engagement activities, we work with investee companies to encourage, support and enable the transition away from unsustainable practices and develop sustainable production, trade and consumption models that can benefit both communities and ecosystems. We believe that such benefits will further enhance the sustainability of our investee companies' growth over the long-term.

We will seek to engage with companies which operate in countries or sectors with higher risk exposure to deforestation.

Our company and ESG analysts expect high-risk companies to assess deforestation-related risks and to commit to eliminating deforestation in their operations and supply chains. We encourage companies to outline these commitments in deforestation policies detailing their approach to eliminate conversion of ecosystems and processes to respect human rights (including labour rights and indigenous people and local communities' rights)

We also encourage high-risk companies to apply or participate in credible standards, certifications, partnerships, and initiatives focused on these topics such as the schemes for responsible soy (Round Table of Responsible Soy "RTRS"), palm oil (Roundtable on Sustainable Palm Oil "RSPO") and timber (Forest Stewardship Council "FSC").

Companies that do not yet comply with these expectations are targets for engagement. Please refer to our Active Ownership Policy for further detail on our approach to engagement and escalation measures.

(b) Collaborative engagement

Collaborative engagement is also a useful tool to strengthen our leverage with companies as well as share best practices with likeminded investors. We already participate in several initiatives linked to deforestation such as the CDP Non-Disclosure Campaign on Forest as well as the FAIRR initiative.

(c) Voting

We use our voting rights actively to influence better outcomes on biodiversity topics. We typically support resolutions linked to relevant positive impacts on biodiversity and vote against resolutions which would have detrimental biodiversity consequences.

Please refer to our Active Ownership Policy for further information.

3. Partnership

Joining forces with other like-minded investors, clients and industry participants can be an important tool for addressing biodiversity-related risks. We achieve this by:

i) Participating in a variety of industry initiatives. This includes industry events, workshops and meetings dedicated to sharing our views and knowledge with others. The Investors Policy Dialogue on Deforestation (IPDD) is a good example of the positive role investors can play in influencing regulators. Comgest joined the IPDD in June 2020.

ii) Engaging with our investors on this topic through dedicated meetings, events and knowledge sharing initiatives

iii) Disclosing our activities transparently (refer section 5. Reporting)

4. OVERSIGHT

The Sustainability Committee approves this Policy which is reviewed at least annually. The Committee also oversees the Policy's implementation which is conducted by the centralised ESG (Environmental, Social and Governance) team and Group-wide investment teams.

The Sustainability Committee reports to the Group Executive Committee annually on the progress of the Responsible Investment Strategy.

5. REPORTING

We consider that it is part of our responsibility to disclose our activities and to measure the impact of our endeavours on deforestation-related issues.

Starting in 2024, Comgest will disclose on information related to its mitigation efforts, including our engagement activities to reduce deforestation-related risks.

APPENDIX IV

HUMAN RIGHTS POLICY

1. INTRODUCTION

Human rights belong to all people, equally. These rights are fundamental and indivisible. All people deserve to be treated with dignity and respect, we cannot pick and choose which human rights might apply. We are all responsible for upholding human rights.

Since the landmark Universal Declaration of Human Rights (UDHR) in 1948, enormous progress has been made by governments and policy makers. Global industry standards have been defined. Legal, regulatory and societal frameworks have been established. Companies around the world have developed human rights policies, procedures and reporting. However, human rights abuses continue to occur and companies remain responsible for, and exposed to, these events.

The abuse of human rights can present real financial, regulatory, reputational, legal and societal risks and can also affect the morale of employees negatively. As a quality growth investor seeking to invest in businesses with sustainable earnings, Comgest pays careful attention to the social risk profile of companies. The costs associated with violations can be material to a company's business model. Product safety issues. Wages and working conditions disputes. Data privacy breaches. Employee discrimination. Severe workplace accidents. There are many examples of human rights incidents that have sent healthy share prices into dramatic freefall, sometimes never to recover. Litigation can be costly and controversies can be damaging to a company's reputation, impacting internal and external stakeholder relationships, brand strength and ultimately - revenues.

Comgest commits to respecting and upholding internationally recognised human rights. We have aligned our approach with the principles of the United Nations Global Compact (UNGC), the United Nations Guiding Principles (UNGPs) and the conventions of the International Labour Organisation (ILO) and the Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises. We seek to invest in companies that demonstrate respect for these principles and conventions. These norms provide a good framework for Comgest to evaluate and encourage our portfolio companies' progress.

This policy sets out our strategy for identifying and addressing human rights risks and impacts across our investment companies. We strive to fully integrate this throughout our research work, to improve company practices and to add value to our clients.

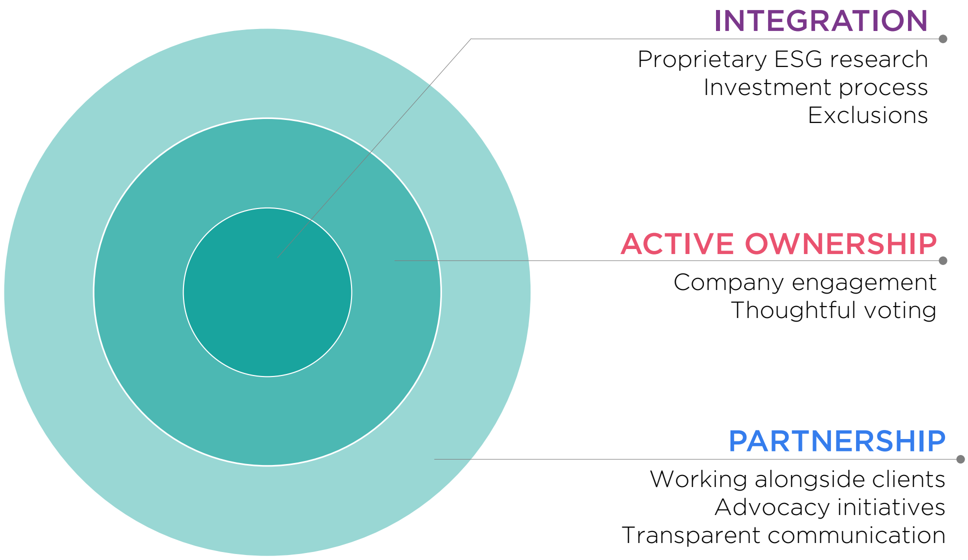
2. SCOPE

Our commitment extends to all the people who might be touched by a company's footprint including employees, customers, supply chain workers and local communities.

This policy applies to all listed companies that we invest in, worldwide.

3. STRATEGY

Our human rights strategy applies the three-pronged approach of our Responsible Investment Strategy:



1. Integrate: embedding human rights within the investment process

As part of our investment research process, we aim to identify and assess all potential material human rights issues. Our findings may lead us to abandon an investment idea in the earlier stages of our selection process. For our portfolio companies, material human rights risks are outlined within our research, notably within Comgest's proprietary ESG Assessments.

Identifying human rights issues

Human rights issues that we consider include, but are not limited to:

- **Labour practices**: modern slavery, forced or trafficked labour, child labour, migrant labour working conditions, lack of freedom of movement, debt bondage
- **Standard of living**: fair wages, working hours, fair treatment and training, standard of living status, equal opportunities for promotion
- **Affordability and access:** unethical distribution of products and services, price discrimination
- **Product safety**: safety standards and certifications, unethical distribution of products and services, product labelling and marketing, lack of training
- **Data privacy and security:** risk of fraud, hacking, misuse or loss of confidential data
- **Working conditions**: collective bargaining and recognition of trade unions, freedom of expression and association, workplace health and safety, access to training and skills. This includes direct employees as well as contractors and sub-contractors within the supply chain.
- **Diversity, equity and inclusion (DE&I)**: gender diversity and pay gap, DE&I practices, harassment and discrimination
- **Respect for local communities including indigenous peoples' rights**: uncontrolled side effects to people, their standard of living and their environments, forced displacement, lack of effective security, strain on infrastructure and public services, land rights including lack of respect for ancestral land and cultural heritage

A company's industry, geographic or business focus can help to identify potential human rights risks. For example:
- Textiles companies, particularly those with global supply chains, may be more prone to risks including migrant labour working conditions, fair wages, child labour and modern slavery
- Technology, communication services, financials and payments companies may be more prone to issues surrounding data privacy and security

- Pharmaceutical companies may be more prone to issues surrounding product safety, product access and affordability
- Chemicals companies may be more prone to occupational health and safety issues for employees, product safety issues for consumers and impact to local communities due to the handling and impact of hazardous substances
- Companies with operations or supply chains in lower-cost frontier and emerging markets may be subject to risks concerning employees' and contractors' level of wages, working conditions and local labour practices
- High growth companies with a strong performance culture may be prone to increased risk of workplace health and safety issues (notably mental health) as well as harassment and discrimination

Whilst an inherent exposure analysis based on sector, business activities and geography is a good starting point for identifying human rights risks, each company must be assessed according to its unique circumstances. Our investment team is responsible for assessing human rights issues for each portfolio company. Material risks and opportunities, where identified, are summarised within each proprietary ESG Assessment.

Our proprietary research process is adapted to each company. With a focus on companies exposed to material human rights risks, our analysis may include the following elements:

- Assessment of a company's public reporting and information gathered during our research meetings with company representatives. We look for:

    - Public commitments, for example endorsement of the Universal Declaration of Human Rights, identifying salient human rights issues as defined by the UN Guiding Principles on Business and Human Rights (UNGPs), signatory status of the UN Global Compact;

    - Existence of a human rights due diligence system to identify, prevent, mitigate and account for adverse human rights impacts;

    - Existence of a human rights policy: topics may be embedded in other policies for example, a code of conduct, sustainability/corporate social responsibility policy, sector-specific policy, and policies relating to recruitment, employment, health and safety or community relations. We look to see evidence of policy implementation including training and monitoring practices.

- Review of independent industry and company data available through sources such as Know the Chain, World Benchmark Alliance and the Business and Human Rights Resource Centre;

- Use of third-party data such as MSCI and RepRisk to assess:
    - Alignment with the UNGC, the UNGPs and the ILO fundamental principles (existence of due diligence policies on labour issues);
    - Controversies: we analyse negative human rights-related company events and assess the effectiveness of a company's response to these events (transparency, action, provision of access to remedy)

- We intensify our research on any high-risk areas identified as part of the assessment process.

Exclusions

We identify companies exposed to severe violations of the UN Global Compact and the OECD Guidelines for Multinational Enterprises. We use the MSCI ESG Controversies and Global Norms methodology to screen for companies with very severe, direct ongoing and partially concluded controversies in areas covered by these norms. Please refer to the Group Exclusion Policy for further details.

As a first response, we typically engage with the company to discuss the potential for improvement and any actions they have taken, or plan to take, in order to address the violation. If we believe that there is no prospect for improvement, the company is excluded from all portfolios.

Our Plus strategy range applies additional exclusion criteria, please refer to the Comgest Plus Funds Exclusion Policy.

2. Active Ownership

As long-term shareholders, we are in a position to encourage and support improvement on human rights issues by our investee companies. Issues which could materially affect our portfolio companies may lead to targeted voting and engagement activity. We combine several active approaches to achieve this:

— **Individual company engagement**

As long-term, active investors, we prefer direct dialogue to address issues with our companies. This enables us to better understand each company's position, to encourage improvement and to monitor progress.

As well as encouraging the improvement of everyday work practices, when companies are exposed to significant risks we push for companies to disclose their human rights commitments by publishing formal policies. We also recommend that companies adopt compliance with credible standards, certifications, partnerships, and initiatives focused on material human rights topics. This could include, for example, certifications regarding workplace safety standards and product safety.

— **Collaborative engagement**

Joining forces with other likeminded investors and other stakeholders can achieve powerful results, particularly with companies that are not responsive to individual engagement. We currently take part in several collaborative initiatives linked to human rights initiatives, as listed on our website.

We may also choose to engage at industry level on systemic human rights issues. Engaging alongside other investors typically enables us to strengthen our voice when communicating our opinions to policymakers and other key industry participants.

— **Voting**

We support relevant positive human rights-related resolutions and vote against resolutions which would lead to clear negative human rights-related impacts.Please refer to our Active Ownership Policy for further information.

3. Partnership

Joining forces with other like-minded investors, clients and industry participants can be an important tool for addressing human rights issues. We achieve this by:

i) Participating in a variety of industry initiatives. This includes industry events, workshops and meetings dedicated to sharing our views and knowledge with others

ii) Engaging with our investors on this topic through dedicated meetings, events and knowledge sharing initiatives

iii) Disclosing our activities transparently (refer section 5. Reporting)

4. OVERSIGHT

The Sustainability Committee oversees the annual review and approval of this policy by the relevant entities and boards. The policy may be reviewed more frequently as required. The Committee also oversees the policy's implementation which is carried out by the investment teams together with dedicated ESG resources. Further details on the Sustainability Committee can be found in the Comgest Group Responsible Investment Policy.

5. REPORTING

We consider that it is part of our responsibility to disclose our activities and to measure the impact of our endeavours as factually as possible on human rights issues.

Disclosures on human rights engagements are included in our Quarterly Responsible Investment reports. These include a description of the engagement topic, details of the engagement activity and updates as to the ongoing status. We disclose further engagement and voting information in our Annual Responsible Investment Report and UK Stewardship Code report. Our full list of advocacy initiatives and industry commitments relating to human rights are disclosed on our website.

Additionally, Comgest prepares Annual Statements of Principal Adverse Impacts of Investment Decisions on Sustainability Factors (PAI Statements). These disclosures provide information on a number of human rights-related impacts and related mitigation actions.

APPENDIX V

COMGEST GROUP EXCLUSION POLICY

1. INTRODUCTION

As a long-term quality investor, we invest and partner with companies that we believe can sustain investment returns over the long term. Environmental, Social and Governance ("ESG") factors are important drivers of investment returns from both an opportunity and a risk mitigation perspective. Further, we are convinced that value creation is enhanced when companies deliver social utility while limiting their negative impacts on the environment and people. These investment beliefs lead us to integrate ESG considerations throughout our investment decision making process and implement the exclusion criteria defined in this Comgest Group Exclusion Policy.

Comgest's investment selection process makes it unlikely that companies with substantial ESG risks will satisfy the required standards of quality, visibility and sustainability that we seek in quality growth companies. As a result, companies with substantial ESG risks tend to be naturally filtered out during our investment selection.

Nonetheless, for certain activities where ESG risks and impacts tend to be more significant or are subject to regulatory restrictions, Comgest applies and implements targeted exclusion criteria. This Policy defines these criteria as well as outlines how these criteria are managed and overseen.

Please see below a summary of our exclusion criteria, more detailed information on the exclusion criteria can be found in sections 3, 4 and 5.

	Exclusion Type	Exclusion Measure	Exclusion Criteria
Sector based exclusions	Controversial weapons	Involvement	No involvement
	Conventional weapons	Revenue from production and/or distribution	>=10%
	Tobacco	Revenue from Producer, Distributor, Retailer and/or Supplier	>=5%
	Thermal coal	Revenue from coal mining	>0%
		Electricity production based on coal	Production or revenue >= 20% Installed capacity >= 5 GW Developing new coal-fired power capacity >= 100 MW
Norm-based Exclusions	Controversial behavior	UNGC, OECD, ILO and UNGP compliance	Severe violations without prospect for improvement
Jurisdictional Exclusions	Controversial Jurisdictions	High-risk jurisdictions, sanctions regime, etc.	Investment restrictions

2. SCOPE

Comgest implements its group-wide exclusion policy to all portfolios it manages except where otherwise requested by clients or where implementation is prohibited by applicable laws.

In addition, Comgest's Plus Strategies ('Comgest Plus Funds') apply additional ESG screening criteria. For more information, please refer to the Comgest Plus Funds Exclusion Policy available on our website.

3. SECTORS BASED EXCLUSIONS

1. Controversial weapons policy

— **Anti-personnel mines and cluster munitions**

Comgest does not financially support companies involved in the development, manufacture, maintenance or trade of anti-personnel mines and cluster munitions.

The standards applied to define these weapons are based on criteria agreed upon in the following conventions:

- Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on their Destruction (1997)
- Convention on Cluster Munitions (30 May 2008)

Comgest applies the following criteria to define a company's degree of involvement:

1) The company is involved in the development, manufacture, maintenance or trade of a product that is considered anti-personnel mines or cluster munitions.
2) The company is involved in the development, manufacture, maintenance or trade of a key and dedicated component or service for a product that is considered anti-personnel mines or cluster munitions.
3) The company holds a stake (>20%) in a company or is owned (>50%) by a company that is involved in controversial weapons as set out in 1 or 2 above.

— **Biological/chemical weapons, depleted uranium, and nuclear weapons**

Comgest does not financially support companies involved in biological/chemical weapons, depleted uranium, and nuclear weapons.

The standards applied to define these weapons are based on the following conventions:

- Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological (Biological) and Toxin Weapons and on their Destruction (26 March 1975)
- Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on their Destruction (29 April 1997)
- Treaty on the Non-Proliferation of Nuclear Weapons (1970)

Comgest applies a 0% revenue threshold on biological/chemical weapons, depleted uranium, and nuclear weapons (nuclear missiles and/or nuclear warheads) or tailor-made components of nuclear weapons, including nuclear fissile materials and nuclear (support) systems and services.

In addition, when the company holds a stake (>20%) in a company or is owned (>50%) by a company that is involved in biological/chemical weapons, depleted uranium, and nuclear weapons, the company is excluded.

— **Incendiary weapons, non-detectable fragments and blinding lasers**

Comgest does not financially support companies involved in incendiary weapons (including white phosphorus), non-detectable fragments and blinding lasers.

The standards applied to define these weapons are based on the Convention on Certain Conventional Weapons (1980, amended 2001):

- Incendiary weapons: Convention on Certain Conventional Weapons – Protocol III
- Non-detectable fragments: Convention on Certain Conventional Weapons – Protocol I
- Blinding lasers: Convention on Certain Conventional Weapons – Protocol IV

Comgest applies a 0% revenue threshold on incendiary weapons, non-detectable fragments and blinding lasers.

In addition, when the company holds a stake (>20%) in a company or is owned (>50%) by a company that is involved in incendiary weapons, non-detectable fragments and blinding lasers, the company is excluded.

2. Conventional weapons policy

Comgest defines conventional weapons as "weapons other than controversial weapons as defined in the above section 3.1 Controversial Weapons Policy".

Comgest excludes companies that derive 10% or more of their total annual revenues from the production and/or distribution of conventional weapons, weapons systems, components, support systems and services, as well as firearms or small arms ammunition intended for civilian use.

3. Tobacco policy

Comgest excludes companies that derive 5% or more of their total annual revenues from the following subcategories:

- Producer: Companies that manufacture tobacco products, such as cigars, blunts, cigarettes, e-cigarettes, inhalers, beedis, kreteks, smokeless tobacco, snuff, snus, dissolvable and chewing tobacco. This also includes companies that grow or process raw tobacco leaves.
- Distributor: Companies that derive revenue from the independent wholesale of tobacco products to retailers and other distributors.
- Retailer: Companies that retail tobacco products.
- Supplier: Companies that manufacture and supply key products necessary for the production of tobacco products, such as tobacco flavoring, cigarette filters (acetate tow), tobacco roll paper, cigarette manufacturing machines, and tobacco packaging; specifically cigarette cartons, films, and aluminium foil.

4. Coal Exit Policy

— **Mining**

Comgest excludes all companies deriving revenue from the mining of thermal coal, applying a 0% revenue threshold.

— **Electricity production**

Comgest excludes companies involved in electricity production with an energy mix exposed to coal exceeding the following relative or absolute thresholds:

- utilities with electricity production or revenue based on coal equal to or exceeding 20%;
- utilities with installed capacity based on coal equal to or exceeding 5 GW.

Additionally, Comgest excludes companies developing new coal-fired power capacity of at least 100 MW.

— **Threshold management and data sources**

The thresholds defined above regarding electricity production will be progressively lowered to reach a coal phase-out by 2030 for Developed Markets and 2040 for Emerging Markets. To implement its coal exit policy, Comgest uses MSCI data and Urgewald's Global Coal Exit List (GCEL). Based on data obtained from these providers, Comgest draws up a list of companies to exclude. The list of companies excluded by this coal exit policy is updated once a year for data extracted from the GCEL and quarterly for data extracted from MSCI.

Comgest may decide to exempt certain companies from the exclusion list if they make credible commitments to reduce their exposure to coal within a set timeframe. Consideration for exemption from the policy will be submitted for approval to the Sustainability Committee who will assess both quantitative and qualitative criteria (e.g., the company's climate strategy and their coal exit plan as well as the degree of prioritisation given to a lower-carbon business model by management, etc.) before approving the exemption.

4. NORM-BASED EXCLUSIONS

Companies of all sectors and in all countries can profoundly impact the human rights of employees, consumers, and communities. These impacts may be positive, such as increasing access to employment or improving public services, or negative, such as polluting the environment, underpaying workers, or evicting communities.

Comgest uses the following international standards to identify and assess the responsible conduct of businesses and potential human rights violations:

- United Nations Global Compact (UNGC) Principles
- The Organization for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises
- International Labor Organization (ILO) standards
- United Nations Guiding Principles (UNGPs)

Comgest identifies companies involved in severe violations of these standards. As a first response, Comgest may engage with these companies to discuss improvements and actions they have taken or will take to address the violations. If severe violations persist without prospect for improvement, Comgest will exclude these companies until the violations are resolved.

5. CONTROVERSIAL JURISDICTIONS EXCLUSIONS

— **High-risk jurisdictions**

Comgest doesn't carry out any investment in high-risk jurisdictions subject to a Call for Action as defined by the Financial Action Task Force (FATF). The most recent list of high-risk jurisdictions can be found on the FATF website.

— **Sanctions regime**

Comgest complies with the United Nations (UN) Sanctions and follows any mandatory investment restrictions deriving from these sanctions. The most recent sanctions list can be found on the UN website.

It also complies with applicable EU or US sanctions to which it is subject and follows any mandatory investment restrictions deriving therefrom.

To ensure compliance, Comgest monitors applicable sanctions lists and screens equity issuers prior to the security's inclusion into the Comgest investment universe and on an ongoing basis.

— **Insufficient scoring on the Freedom House Index**

For certain of Comgest's public funds, including any funds classified as Article 8 under the SFDR, sovereign issuers classified as "not free" according to the Freedom House Index will be excluded.

6. IMPLEMENTATION

Companies on the exclusion lists are blocked by our trading system and, therefore, cannot be purchased. If a company in which Comgest is already invested is added to an applicable exclusion list, further purchases will be blocked and the existing position will be sold out of diligently in the best interest of our clients. These exclusions lists are updated on a quarterly basis.

To help implement its exclusion policies, Comgest primarily uses latest available data provided by MSCI ESG Research. Comgest may supplement this with data from other external providers and with its own research on the companies and their activities, for example, where Comgest finds that data used by the external service provider is not up to date or where Comgest through its in-depth and qualitative research does not agree with the assessment provided by the external data provider. Any exemptions are reviewed on a semi-annual basis by the Sustainability Committee.

7. APPROVAL AND OVERSIGHT

The Sustainability Committee approves this policy which is reviewed at least annually. The Committee also oversees the policy's implementation which is conducted by the centralised ESG (Environmental, Social and Governance) team and the Group-wide investment teams.

The Sustainability Committee reports to the Group Executive Committee annually on the progress of the Responsible Investment strategy.

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