The Quality Growth Investor

COMGEST GROUP ACTIVE OWNERSHIP POLICY

December 2023

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A. INTRODUCTION

Comgest is an equity-only asset manager with a unique partnership structure and a quality growth investment philosophy that has guided our portfolios consistently for over three decades.

We believe that:

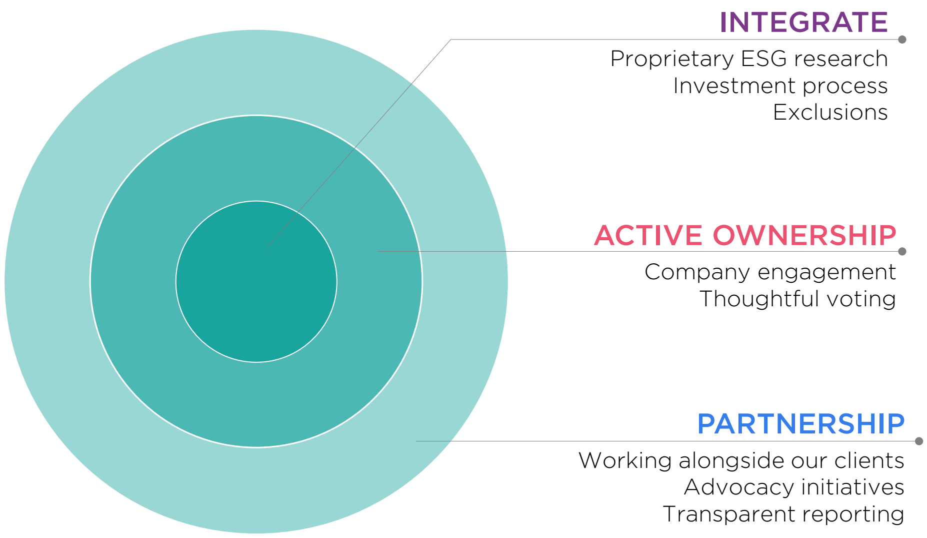
- Markets may fail to correctly value businesses with strong and sustainable competitive advantage and persistent above-average earnings growth;
- Integration of ESG enables a better assessment of quality;
- Sustainable value creation is enhanced when companies deliver social utility, integrity and differentiation.

Active ownership can be an effective catalyst for driving improvements to a company's operations, enabling them to sustain their competitive advantage and earnings growth. However, achieving these results takes time, often years. The relevance and effectiveness of any initiative therefore depends very much on an investor's time horizon.

At Comgest, we are long term investors with low turnover portfolios and an average holding period of over five years for the majority of our assets. 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 believe we are well-positioned to benefit from companies improving their sustainability practices. Active ownership is therefore key to our strategy of delivering long-term performance to our investors.

We have defined three pillars in our Responsible Investment Strategy, which are intrinsically linked to each other and are reflected throughout this Active Ownership Policy:



B. SCOPE

This Active Ownership Policy ("the Policy") sets out how the Comgest Group[1] uses voting and engagement as key components of its quality growth investment approach, in accordance with the requirements set out in the European Union Shareholder Rights Directive II ("SRD II" or the "Directive"),[2] and the international codes and standards to which Comgest adheres.

The Policy applies to all of our equity investments for which we have full discretion to apply our own engagement and voting principles.

Comgest's objective is to vote systematically at all shareholder meetings when possible. The voting principles and processes described apply to Comgest's public pooled funds, dedicated funds and segregated accounts managed for clients who have delegated the exercise of voting rights to Comgest.

The voting rules referred on in this Policy does not cover segregated accounts for clients who have not delegated the exercise of voting rights to Comgest. For such accounts, Comgest may apply the client's bespoke policy or may not be implicated in the voting process at all, as requested by the client.

This Policy forms part of our overall approach to Responsible Investment, the full details of which can be found within the Comgest Group Responsible Investment Policy publication on our website. A more detailed description of Comgest's Voting Guidelines (see Section C.3.b herein) in relation to specific regions and countries is available upon request.

C. STRATEGY

1. Engagement with companies

Maintaining an active relationship with investee companies is an important element of our investment process. We believe that engagement can be an effective catalyst for driving improvements to a company, helping us to deliver long-term performance to our investors.

(a) Defining engagement

We define engagement according to two primary activities:

1) **Information exchange**: requesting and discussing sustainability information to inform our overall assessment of a company. Dialogue may also involve providing feedback to investee companies to share our opinions on industry best practices. These exchanges of information typically occur over the course of our ongoing, direct interaction with investee companies.

2) **Objective-driven engagement:** purposeful dialogue to achieve change in order to improve outcomes for stakeholders.

   For these engagements, we monitor the evolution carefully by specifying objectives and reporting on the ongoing status and eventual outcomes, as described in section C.1.d.

We categorise each engagement activity according to the relevant ESG topic, examples as follows:

— ***Environment***: climate change, water, biodiversity;

— ***Social***: human rights, DE&I, human capital management, health & safety, data security;

— ***Governance***: conduct, culture & ethics, ownership, control or shareholders' rights, remuneration, board effectiveness.

[1] Comgest Global Investors, S.A.S. is the holding company for the Comgest Group which includes six asset management companies: Comgest, S.A. (Paris), Comgest Far East Ltd (Hong Kong), Comgest Asset Management International Ltd (CAMIL) (Dublin), Comgest Asset Management Japan Ltd (Tokyo), Comgest Singapore Pte Ltd (Singapore) and Comgest US LLC (Boston). Comgest also has the following service locations: Comgest Deutschland GmbH (Düsseldorf), Comgest Benelux B.V. (Amsterdam), Comgest Australia Pty Ltd (Sydney), as well as offices of CAMIL in London, Milan and Brussels.

[2] Directive (EU) 2017/828

(b) Comgest's Engagement Principles

(i) We take a partnership approach to engaging with companies

Comgest considers its relationship with its investee companies, clients and employees similarly: as a partnership. As a stable shareholder, we aim to develop a deep understanding of our companies and to develop open, transparent dialogue with them. When engaging on areas for improvement, as a starting point we typically prefer to discuss the topic directly with the company in an open discussion, rather than applying collective or public forms of pressure. In our experience, we find that investee companies appreciate our partnership approach to engagement and are therefore likely to be more responsive to our demands.

(ii) We prioritise our engagement efforts

We prioritise engagement with investee companies and other industry participants according to the following:

1) Materiality matters most

As part of our proprietary ESG analysis and formal ESG assessment of each portfolio company, the investment team identifies material ESG risks and opportunities facing the business. Whilst top-down analysis such as sector and geographic sensitivities can be a useful starting point to identify ESG risks and opportunities, our conclusions are always informed by our bottom-up research performed on each unique company. Stewardship activity is then prioritised by the materiality of our findings for each company. We also take into account the results of principal adverse impact (PAI) assessments.

- Issues that we prioritise for engagement will naturally vary between geographic regions, industry sectors and between individual companies, and will be informed by our own research. We adapt our engagement focus to the strategy / product / company under analysis, for example:
    - For businesses whose operations are highly dependent on access to natural resources (e.g. food, beverage or textile sectors) or businesses whose products cause high emissions (e.g. automotive and aviation industries), our engagement activity is likely to focus on managing environmental risk and mitigating environmental impacts within their ecosystem;
    - For businesses whose operations may pose high health and safety hazards to workers or have significant socioeconomic impacts on local communities, such as the construction and chemical industries, our engagement activities will likely focus on managing social risk exposures and mitigating social impacts within their ecosystem;
    - For products that focus on, or have exposure to, certain regions such as emerging markets, issues such as corruption or taxation policies for example, may be a more common risk.
- Probability of success is important to assess in the context of materiality. Where there is an ESG matter that is material to the business case, and we believe that an engagement could tangibly help to address the ESG risk or opportunity, stewardship activity with this company will be prioritised versus other portfolio companies.

- Comgest's ESG Quality Level 4 companies: these are, by definition, companies that whilst investible within our quality-growth portfolios, "require improvement" within their ESG profile, according to our proprietary analysis. We therefore prioritise seeking improvement in these companies by way of direct and collaborative engagement, exercising voting rights and participating in industry initiatives.

2) Our commitments

Comgest is signatory to a number of industry initiatives and collaborative activities which will lead to prioritising our stewardship activity with certain companies. For example, as a signatory to the Net Zero Asset Managers initiative, we are prioritising engagement on climate with companies who represent the top contributors to our financed emissions as a Group.

3) Thematic areas of risk exposure

Comgest closely monitors three thematic risk areas: Climate, Biodiversity (deforestation) and Human Rights. We have developed individual policies for these topics, as outlined in our Responsible Investment Policy.

These topics are considered material in relation to primary ESG risks and principal adverse impact mitigation. Companies with material exposure to ESG risks within these categories may be identified for targeting via individual engagement or coordinated actions such as collaborative engagements and advocacy initiatives.

4) Support for bespoke client priorities

Within our segregated client mandate accounts, some of our clients have stipulated that we implement certain bespoke engagement priorities, which we enact on their behalf.

We monitor and report on our engagement progress via our client reporting which provides detailed summaries of our interactions with company as well as the objective and status of each engagement.

(iii) We engage over long periods of time

Achieving results from an engagement can take time. Sometimes, it is simply a long process to address structural issues or change a large company's operational practices. In other cases, it is the repetitive raising of issues, consistently over several years, that eventually leads to a real change.

As stable shareholders, we are able to engage with companies over multi-year horizons and work with them in partnership as they try to adapt to a complex and changing sustainability landscape. Our engagement dialogue is forward-looking and long term. Our topics and priorities of engagement will evolve over time, in-line with the issues we identify as material to the long-term success of the company. We engage on important matters even when we know our opinion might not be well received.

As long-term investors, we are comfortable knowing that engagement can yield results gradually, sometimes over many years, before we would consider that our activity has reached a conclusion.

(iv) We engage ahead of AGMs

As part of our open dialogue with companies, we may engage ahead of general shareholder meetings to discuss, and sometimes influence, their proposed resolutions.

As well as potentially influencing outcomes, this practice provides transparency which can help to support our ongoing relationship with companies. For example, if we have decided to vote against certain resolutions, we will have already made our views very clear to the company and they will have understood our rationale. In certain scenarios such as escalation, we may decide to pre-declare our voting intentions publicly.

(v) We engage with all companies, even if they are an ESG Leader

We believe all companies can improve. Each business will have its own specific, and often evolving, sustainability challenges to address. We aim to identify these issues throughout our research and to ensure that we understand each company's sustainability strategy. Any material areas for improvement are highlighted within our ESG Assessments.

Whilst companies with lower ESG quality levels may lead to higher levels of engagement activity, we nevertheless identify topics to engage upon right across our range of companies including amongst our ESG leaders.

(vi) Our active ownership strategy with companies may involve engaging with other stakeholders

We may communicate with other stakeholders where we believe this could advance a certain engagement topic with our portfolio companies. This may include engagement with industry bodies, regulators, governments and other policymakers. For further information on our advocacy strategy please refer to section C.2.

(c) Methods of engagement

(i) Types of engagement

Our engagements are performed via either individual or collaborative means, as follows:

1) Individual engagement

Most of our engagement activity is through direct, individual interaction with companies. Comgest applies its engagement principles outlined in section C.1.b to individual engagement activity. Typically, these engagements are carried out by an ESG analyst and the relevant company analyst/s within the investment team. The engagement team may also draw expertise from the ESG specialists within the broader ESG team, for example when the topic relates to a specific industry commitment (e.g. Net Zero Asset Managers initiative).

Our engagements are tailored to each company. Rather than approaching company meetings with a standardised checklist, we design our own set of questions corresponding to our assessment of the most material topics impacting the business at hand. This ensures that we have adapted our questions and recommendations to the circumstances of each company. In our experience, this can encourage companies to provide higher quality, more informative responses.

We believe it is important to commend companies on achieving ESG milestones throughout our engagement process, in order to encourage ongoing dialogue and further advances.

2) Collaborative engagement

In certain scenarios, teaming up with like-minded investors and other stakeholders can be a more effective means of achieving our objectives. Collaborative initiatives are typically led by our central team of ESG specialists. The activity may relate to a specific company or a topic that relates to multiple companies, for example participating in the CDP Non-Disclosure Campaign.

Comgest is selective about the collaborative engagements that we undertake. Our focus is on achieving results that may improve outcomes for our portfolio companies over our long-term investment horizon.

(ii) Forms of engagement

Our interaction with companies can take several forms, including:

- Written communication (emails, formal letters) with companies and other relevant stakeholders
- Meetings, both virtual and physical, with (including, but not limited to): stakeholders such as investor relations, senior management, board members, sustainability teams, human resources and experts
- Site visits, for example to company premises, operational locations, suppliers
- Use of collaboration platforms

(d) Engagement objectives, monitoring and assessment of outcomes

(i) Setting objectives

For each objective-driven engagement, we set clearly defined targets. This could be, for example: “improve disclosure by reporting via the CDP water questionnaire” or “improve governance structure by improving board gender diversity to at least 30% female”.

(ii) Monitoring progress and outcomes

Through our interactions with the company, we monitor the achievement of milestones and improvements that clearly indicate progress towards our objectives. Engagements may remain ongoing for several years. If there is clearly no improvement or reactivity on the part of the company, we may decide to escalate as described in section 3.5.

There are four potential stages identified within our engagement monitoring:

1. **Ongoing**: engagement initiated, the company has acknowledged our concerns and we are awaiting progress
2. **Escalation**: insufficient response to our concerns, we initiate other engagement actions to encourage change (refer section C.5.)
3. **Success**: the company implements measures to address our concerns, engagement is completed.
4. **Failure:** unsatisfactory action taken within target engagement time horizon (maximum 5 years). This may lead to divestment depending on the materiality of the topic.

(iii) Following the engagement

If an engagement is considered to be successful, the ESG team reports this to investors via our quarterly Responsible Investment report. The team members involved in the engagement may also share their experience and findings across the ESG and investment teams to ensure that any future engagements may benefit from the team's collective experience, by applying relevant engagement techniques and learnings.

If an engagement is considered to be unsuccessful and the topic is considered to be material in nature, we may deploy escalation techniques as described in section C.5. An unsuccessful escalation may result in divestment. If we decide to continue to own the company, knowledge gained from the engagement experience will be incorporated in our ESG Assessment of the company and may weigh on the resulting ESG Quality Level assigned. As well as the qualitative learnings gained by the investment team throughout the process which may impact the level of conviction the team maintains on each company, the ESG Quality Level impacts the discount rate used in our valuation models and therefore directly feeds into the portfolio construction process.

At all times, our engagement work will inform our ongoing ESG research and views held for each company. We seek to learn from our engagement experiences with the objective of continually improving our engagement techniques.

(e) Engagement Responsibilities

The ESG team, with the approval of the Sustainability Committee, establishes the overall approach for engagement and works with the investment teams to set appropriate objectives for individual companies. The Sustainability Committee maintains oversight of all material engagements.

As those closest to the companies themselves, our investment teams, including ESG analysts, are responsible for carrying out individual engagement activity. Often, they will seek the advice of an ESG team member or indeed work alongside them in carrying out certain engagement activity. The analysts track and report progress on the issues raised and ensure that this information is shared across the investment team so that engagement outcomes can be systematically integrated into the investment decision-making process.

Collaborative engagements are typically carried out by the ESG Specialists, who work with investment teams covering companies impacted by the topic at hand. The specialist team is also responsible for defining, evolving and implementing Comgest's thematic engagement strategy as well as leading Comgest's advocacy activities.

ESG engagement notes are recorded in a central database by the company analysts and the ESG team for use by the different teams within Comgest.

To ensure a consistent approach to establishing and measuring non-financial objectives for engagement and to monitoring progress, the ESG team provides pre-engagement training for the regional investment teams and the same tools are used across the company and shared on a proprietary platform.

2. Advocacy

(a) Approach to advocacy

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 address 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.

(b) Interacting with other stakeholders

Our advocacy work may target industry participants such as regulators, policy makers, governments and a broad range of financial industry stakeholders for example our peers, industry bodies, asset owners, SRI label providers and consultants. We align areas of advocacy activity with our engagement priorities.

We implement 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 is available on our website.

3. Voting

(a) Voting Principles

(i) Reflective of our values

We exercise our right to vote at shareholder meetings in accordance with corporate governance values and voting principles that have been determined with reference to regulations, industry standards, best practice, and the firm's international experience. Our proprietary voting policy guidelines have been developed - and are expected to evolve - with our general engagement priorities in mind.

Comgest believes that a one-size-fits-all model of governance is not realistic, however we also believe that a number of fundamental principles nonetheless apply to all organisations that aim to be successful quality growth companies.

(ii) Systematically vote whenever possible

We believe that exercising our right to vote, on behalf of our investors, is an important element of our role as stewards and of our active ownership strategy. To vote is to voice and it can be a driver of change.

Comgest's objective is to vote systematically at all shareholder meetings when technically possible.

(iii) Promote specific governance characteristics

Comgest looks for and encourages our investee companies 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 organisation. 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 highly detrimental to 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 achievement of the company's business purpose

Our voting policy aims to encourage and reinforce the inherent values contained within these four principles. In making our investment decisions, we look for companies that are led by executive directors and guided by non-executive directors who embody, demonstrate and perpetuate these values.

(iv) "One share, one vote"

We consider the principle of "one share, one vote" to be fundamentally sound and therefore we are not generally in favour of multiple share classes with various voting rights that allow some categories of shareholders to have more voting power than others.

(v) Adapt our votes to company specificities, depending on stage of development, geography and sector

Voting decisions are very carefully considered for each General Meeting. We recognise that the companies in which we invest operate in sectors with differing dynamics and in geographies with specific business cultures and practices. We also acknowledge that there are instances in a company's development that may require an evolving governance structure over time. It may therefore not always be appropriate to apply our Voting Rules rigidly and we may diverge from them in exceptional circumstances. If so, we look to ensure that our decision remains in line with Comgest's overriding Voting Principles and document the reason for our divergence.

(vi) Votes against company management recommendations

Comgest may vote against company management recommendations when it feels that this is in the company's and the shareholders' best interests. In such cases where that risk is material, Comgest will typically explain to the company concerned its reasons for doing so, ahead of the AGM. Additionally, in our ongoing dialogue, we will seek to guide management where necessary while encouraging compliance with international standards of governance and corporate best practice. Under certain circumstances, we may decide to abstain from voting on a resolution where the proposal or disclosure is deemed to be lacking in some way, but not ultimately harmful. This may occur when Comgest was not given sufficient opportunity to address questions in relation to the matter with the company. Where this is the case, Comgest will typically follow up with the company to subsequently address the point.

(b) Comgest's Voting Guidelines

(i) Board of directors

Comgest considers that the role of a company's board of directors should encompass the following elements:

- Defining and communicating business strategy
- Reviewing on a regular basis the execution of strategy
- Guiding and questioning company management with regard to the planning of financial and non-financial resources and capital allocations
- Taking responsibility for the appointment, departure, and if necessary dismissal, of executive directors and board members, through appropriate succession plans and effective nomination and appointment processes
- Ensuring that compensation of executive managers is consistent with their achievements and the company's long-term strategic objectives
- Overseeing the accuracy and effectiveness of company accounting, risk and management systems
- Ensuring the integrity of the company's practices, the quality of its corporate culture and the strength and value of its brand(s).

Given the essential nature of their mission, we look for non-executive board members who exhibit vision, high levels of competence, independence, the ability to engage and guide management, integrity, availability and commitment to serving the long-term interests of the company's shareholders. For Comgest, the importance of these qualities and attributes cannot be overstated as the directors are the shareholders' principal means of influencing the conduct of the company.

Board size

Comgest typically favours boards composed of 6 to 12 members. A smaller board size reduces the opportunities for exchange of differing opinions and points of view and reduces the levels of collective experience and expertise available to develop strategy and guide and oversee the company's operations. Larger boards may result in some members not making an optimal contribution to discussion and decision making.

Independent board members

We consider that at least one-third of the board members of non-controlled companies (in terms of voting rights) should be independent, with more than half being an optimal proportion. With regards to controlled companies (in terms of voting rights), the proportion of board independence should, at a minimum, be in line with the free float. In general, Comgest does not consider the following types of board members to be independent:

- Current or former executives or employees of the company
- Executive's parents or other immediate family members
- Shareholders, or shareholders' representatives, who hold more than 5% of total outstanding shares
- Customers, suppliers, service providers, or advisors, including investment bankers, lawyers and former auditors
- Board members who have been on the board for more than 12 years.

Where employee representatives (also including employee shareholder representatives) sit on the board, we typically exclude them from the count of members in terms of determining board independence.

Director competence

The notion of competence is broadly defined as: business experience in fields relevant to the strategy of the company (specific know-how or sectorial background), subject matter expertise in specific domains (for instance, science or technology), or a specific area or areas of expertise that help the company achieve its business objectives.

Board nominations

In general, Comgest supports management-proposed nominees for election to the board in instances where:

- The company has provided adequate disclosure regarding its nominees
- There are no known problems with the company's finances or financial statements
- Based on the knowledge in its possession, Comgest is confident there are no conflicts of interest or other issues that may cast doubt on the nomination
- The nominees have not missed more than 25% of the board’s scheduled meetings, unless an adequate excuse has been provided.

We may raise objections with regard to an entire board, a committee, or individual nominees, in instances where the nominee(s) are seen as being:

- Responsible for a material failure of governance or business ethics
- Involved in or responsible for proven environmental and/or social malpractice
- Responsible for failing to replace management when appropriate
- Responsible for egregious actions on another board that call into question his or her ability to serve shareholders’ best interests
- Where a known conflict of interest could damage the company’s reputation or otherwise adversely affect the company.

It should be noted that Comgest is not in favour of staggered boards, cumulative voting or bundled elections.

Chair of the board

The chair of the board has specific responsibilities as leader must demonstrate accountability for the effective functioning of the board. We believe that a propensity to encourage and support a culture of openness and constructive debate is one of the most important personal qualities for a board chair, as it allows a wide range of views to be expressed to assist the process of forming opinions and making sound decisions. The chair’s role also requires the ability to motivate all board members in a manner that is clear and consequential.

Our general preference is that the chair is fully independent, to ensure objectivity and enable high quality discussion and debate to take place within the board. In addition, Comgest is of the view that the positions of chair and CEO should be separated. If this is not the case, a lead independent director should be designated and accessible to shareholders. The lead independent director should have full authority to set the board agenda along with the board chair and to call a board meeting if they consider it necessary.

Number of directorships held

Comgest usually votes against the election of non-executive directors serving on more than 5 boards (including the one under consideration), and against the election of executive directors serving on more than 2 boards (including the one under consideration). This rule does not, however, necessarily apply in the case of boards of companies within the same group or corporate structure.

Board diversity

A company’s culture and its board of directors can play a key role in its success or failure. As a general rule, Comgest is in favour of a diverse board composition as cognitive diversity assists in identifying risk, enriching debate, decision making on complex topics and building collective knowledge. Indeed, the dangers inherent in ‘Groupthink’[3] are reduced via cognitive, social and cultural diversity.

Comgest does not restrict the concept of board diversity to gender diversity. We believe that a board should be composed of directors with different backgrounds, skills, nationalities, ages, tenure etc. as demanded by the company’s business strategy and objectives. In regard to gender diversity, Comgest

[3] Researched by Irving Janis in the 1970s, Groupthink is a psychological phenomenon that occurs within a group of people, in which the desire for harmony or conformity in the group results in an irrational or dysfunctional decision-making outcome. Group members try to minimise conflict and reach a consensus decision without critical evaluation of alternative points of view, or by actively suppressing dissenting viewpoints, and by isolating themselves from outside influences.

generally does not support the re-election of a nomination committee chair if there is not at least one woman on a board of less than 10 members or two women on a board of more than 10 members. This application of this rule may vary depending on the company's country of origin, local practices and governance codes.

In the US and the UK, the lack of ethnic diversity on the board can also be a criterion used to decide if Comgest should support or not the re-election of a nomination committee chair.

Board committees

Board committees make the work of the board more efficient on topics requiring specific expertise and/or greater independence. Generally speaking, Comgest favours boards that have committees in charge of audit, remuneration and nomination matters. Depending on their core activities, some companies may benefit from having additional board committees, for example in relation to risk, strategy, Corporate Social Responsibility and innovation.

— Audit committee

Given the importance and complex nature of the audit process and the degree of expert interpretation required in applying different accounting standards and concepts, oversight of the financial reporting process needs to be carried out by a committee with sufficient technical expertise, critical thinking and no conflicts of interest.

All members of the Audit Committee should be fully independent. The committee should include, at the very least, one member with the relevant financial expertise and experience required to oversee:

1. Accounting practices;
2. Internal audit and risk management functions; and
3. Provision of external audit and non-audit services by selected accounting firms.

Comgest expects Audit Committee reporting to provide comprehensive information and insights into the financial health of the company.

We prefer companies to retender for audit services and change their auditors regularly. If billing of non-audit services exceeds 50% of combined audit/non-audit service billing, then we will typically vote against the renewal of the audit mandate unless there is a convincing reason not to.

— Remuneration committee

In our view, remuneration committees should be at least two thirds independent, and the chair should be independent. While incentives certainly drive behaviours and a company's ability to recruit suitably skilled and talented executives, remuneration should not be the sole source of motivation. The remuneration committee should think strategically about long-term value creation when setting performance targets and selecting and articulating performance criteria.

In the majority of cases, Comgest believes that the 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.

— Nomination committee

The nomination committee should be at least two-thirds independent, and its chair should be independent. Ideally, the company should be able to explain why a nominee has been chosen over potentially dozens of other legitimate candidates.

In particular, a company should disclose, on an annual basis, its definitions of independence and competence, and explain how relevant executive and non-executive directors meet these criteria and any exceptions that may exist. The formal nomination process, including succession planning, should be completely transparent and detailed in a timely fashion in the company's quarterly and annual reports.

(ii) Compensation

Most employees have a sense of fairness when it comes to levels of compensation. Accordingly, compensation below a perceived level of fairness can leave employees feeling dissatisfied, a situation that typically impacts loyalty, engagement and performance. On the other hand, academic research and empirical evidence show that when the employer meets a perceived threshold, or pays above it, the extra compensation does not necessarily translate into stronger performance. Comgest recognises that remuneration systems that include elements of fixed and variable pay, and that explicitly value exceptional effort and results, are more likely to create a sense of fairness amongst employees and so contribute to corporate performance.

Executive remuneration

Comgest takes into account multiple factors when evaluating a company's executive remuneration practices and will vote on a case-by-case basis on pay proposals.

We generally support remuneration policies that provide shareholders with:

- Comprehensive disclosure
- Appropriate alignment between executive remuneration and company performance that is determined by clear, relevant and challenging performance criteria
- A long-term vision for the company
- Avoidance of arrangements that risk "paying for failure"
- Evidence of an independent and effective remuneration committee

Remuneration policy and the criteria used to determine performance targets should be comprehensively disclosed, however we understand that in some instances specific targets with regard to future performance may have to remain confidential.

Comgest supports remuneration practices based on non-financial factors, such as ESG considerations, where they are detailed and appropriate. Such incentives need to be analysed in the context of opportunities and risks linked to value creation processes.

Equity-based compensation

Comgest is in favour of the allocation of free or discounted shares as incentives for employees, provided that the plan covers a majority of employees. The plan does not necessarily need to include performance hurdles.

For executives, we generally vote against stock option plans and performance shares, or amendments to existing plans, in instances where:

- It is not a five-year plan with, for example, a minimum vesting cycle of three years and a lock-up period of two years;
- The plan permits options to be issued with an exercise price at a discount to current market price (except in the case of Japanese deep-discount stock options plans which are long-term compensation schemes in which the vesting period lasts until retirement);
- The maximum dilution exceeds established guidelines of 3% of issued capital for a mature company and 5% for a growth company;
- Performance targets for the attribution and/or the vesting of share options are not challenging enough.

Remuneration of non-executive board members

Comgest is generally not in favour of non-executive board members receiving shares in the company and is typically opposed to stock options as compensation due to their potential to encourage risk taking. However, we are generally in favour of non-executive board members acquiring shareholdings in the company through their own means.

Board member remuneration ought to remain fair and reasonable so as to best ensure independence and adequately compensate directors for their efforts.

Other types of compensation

Comgest normally votes against golden parachute provisions or welcome-on-board bonuses. It carefully reviews on a case-by-case basis severance payments and pension schemes.

(iii) Corporate activity

Certain decisions and transactions are specific to the context of each company, so we vote on a case-by-case basis with regard to:

- Strategic transactions
- Reorganisation and restructuring
- Mergers and acquisitions
- Expansion of business activities
- Annual account approvals

It is our view that the company AGM should ratify any related party transactions that have the potential to raise conflicts of interest.

We are generally opposed to anti-takeover mechanisms unless it is or can be established that they are in the company's long-term best interests. We expect any changes in the company's capital – such as share issuance, repurchase, and reissuance of repurchased shares – to be submitted to a vote at the company's AGM. Comgest looks for high levels of disclosure, ratification and always treats any such instance on a case-by-case basis, taking into consideration local laws and practices. Generally speaking, we are opposed to the dilution of existing shareholder rights and holdings and the creation of any potential imbalances between shareholders categories. Comgest is in favour of maintaining the principle of "one share, one vote, one dividend".

(iv) Environmental guidelines

As a long-term quality growth investor, we recognise the importance of understanding our investee companies' environmental-related risks and opportunities. Engaging with companies on material environmental issues through our voting activity strengthens our research and investment process.

Comgest considers that exercising voting rights provides an opportunity to encourage companies to adopt environmental best practices. We support relevant positive environmental resolutions and vote against resolutions which would lead to clear negative environmental impacts.

Climate

In line with our Climate Change Policy, we encourage companies to implement a "say on climate" and put forward advisory resolutions on their climate action plans, decarbonisation targets and progress on emissions reduction at their annual general meetings. We would generally support these advisory resolutions when we consider the company's climate targets and strategy are aligned with our own net zero commitment. Similarly, we may use our voting rights to signal to companies when we believe their targets and strategy are not ambitious enough, exposing them to heightened climate-related risks.

Additionally, we generally vote in favour of resolutions requesting companies to disclose climate-related information and set science-based targets.

Biodiversity

Biodiversity is a critical element of our ecosystem and its long-term preservation may be key to the sustainability of our investee companies' activities. Comgest may invest in companies that have higher exposure to biodiversity related risks, such as deforestation or intensive agricultural production.

We expect high-risk companies to:

- Assess and disclose nature-related risks
- Set and publish targets for reducing and mitigating biodiversity risk exposure
- Report on progress

Companies that do not yet comply with these expectations may be targets for our active ownership programme, including voting activity. We typically support resolutions linked to relevant positive impacts on biodiversity and vote against resolutions which would have detrimental biodiversity consequences.

(v) Social guidelines

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 encourage companies to respect these principles and conventions.

As a long-term quality growth investor, we recognise the importance of understanding our investee companies' social-related risks and opportunities. Engaging with companies on material social issues through our voting activity strengthens our research and investment process.

Comgest considers that exercising voting rights provides an opportunity to encourage companies to adopt social best practices. In line with our Human Rights Policy, we seek to identify and assess material human rights risks across our investee companies. We support relevant positive social resolutions and vote against resolutions which would lead to clear negative social impacts.

(vi) Shareholder proposals

Comgest usually supports shareholder proposals that are deemed to be in the long-term interest of all shareholders. For instance, Comgest is generally in favour of shareholder proposals that require greater transparency on topics such as political donations or fair treatment of employees.

Comgest may also co-operate with like-minded investors to file shareholder resolutions at the AGMs of investee companies.

(vii) Virtual/electronic general meetings

So long as reasonable practicalities are carefully considered to ensure that shareholders can attend the meeting physically, we are comfortable with meetings being convened in a 'hybrid' format – where shareholders have the option to attend either physically or through an online platform.

Typically, Comgest will vote against proposals concerning the conveying of virtual-only shareholder meetings, unless proven necessary due to extraordinary circumstances such as in response to the Coronavirus pandemic.

(viii) Political donations and lobbying

A company's Board of Directors should monitor material charitable and political contributions and membership of trade associations to ensure that these align with the long-term interests of the company and its shareholders.

We believe that the board should disclose material ESG-related activities and monitor trade association lobbying activities, ensuring that any such activity aligns with the company's commitments on environmental, social and governance issues. A company should be willing to relinquish its membership in case of misalignment.

(c) Responsibilities and Exercise of Voting Rights

(i) Role of the ESG Team

Comgest's ESG team is responsible for overseeing implementation of the Group's Voting Principles and reviews its Voting Rules every year on a region-by-region basis.

The team is also in charge of overseeing and coordinating voting activity across Comgest's regional investment teams to ensure the voting process is implemented correctly. This includes supporting each regional investment team and assisting lead analysts in reviewing and commenting on the resolutions subject to vote.

(ii) Role of the company analysts

Comgest assigns responsibility for analysing resolutions to the lead company analyst for each stock concerned. We believe that this is the most efficient means of ensuring that we have all the information necessary before we vote on what are often complex and diverse themes. Comgest's analysts may physically attend general meetings for important issues.

Voting recommendations are reviewed by the lead company analyst. Each lead company analyst is responsible for following the general meetings (ordinary/special) of their companies and for assisting each Comgest investment management entity in executing Comgest's Voting Policy.

(iii) Role of the proxy voting team

Comgest's centralised proxy voting team is responsible for identifying general meetings in advance and ensuring that votes are cast in a proper and timely manner. Any exceptions are dealt with by the Proxy Voting team on a case-by-case basis.

(d) Proxy voting platform

We apply our own voting policy and do not delegate or outsource votes. Comgest's voting rules (the "Voting Rules") derive directly from Comgest's Voting Principles detailed above. Specific Voting Rules have been defined on a regional or country basis in collaboration with the ISS[4] team dedicated to proxy voting policy customisation. Our Voting Rules are aligned with our approach to responsible investment.

Voting recommendations reflecting the Voting Rules are produced by ISS for each general meeting. These recommendations in written form comprise the key documentation for the voting process.

To make the voting process as efficient as possible, Comgest uses the services of ISS who analyses resolutions and makes voting recommendations in accordance with our Voting Policy. The platform allows Comgest to vote electronically at almost every general meeting in every country where it invests.

The lead company analyst is informed of the agenda for the general meeting and ISS voting recommendations in accordance with Voting Rules. They will then provide their voting recommendation to the Proxy Voting and ESG teams. Where this recommendation is a deviation from Comgest's Voting Rules, the analyst must provide information supporting the assessment to the Proxy Voting and ESG teams. The Proxy Voting team liaises with the ESG teams or relevant portfolio managers, as necessary, for a decision prior to submitting the vote. The reasons for the divergence are documented.

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[4] Institutional Shareholders Services Europe S.A. (ISS) is a leading proxy voting service provider.

(e) Pre-declaration of voting intention

Comgest may consider pre-declaring its voting intention as a form of engagement and/or escalation. Such instances are likely to occur when direct communication with the company is limited or has not been successful in driving desired improvement.

Comgest discloses pre-declaration of voting intention on our website and may also make such information available on industry platforms such as the PRI Resolution Database.

(f) Monitoring of voting outcomes

Comgest uses external data providers to collect data on voting outcomes. The ESG team will pay particular attention to the outcomes of significant votes and relay such information to the appropriate investment team members as required.

(g) Significant votes

Comgest identifies significant votes by reviewing votes in the following categories:

- votes against management
- votes on shareholder resolutions
- votes withheld
- votes that are not in line with our voting policy
- votes that represent a significant shareholding / influence / freefloat
- votes connected to an escalation strategy

The ESG Analysts are responsible for reviewing votes in these categories and determining those deemed to be significant.

Comgest provides a rationale for voting decisions it considers significant. At all times, Comgest seeks to act responsibly, in line with our role as a global investor committed to long-term, sustainable performance and focused on quality growth.

Significant votes are disclosed in our Annual Responsible Investment Report

(h) Legal and technical procedures

(i) Power of attorney (PoA)

In some jurisdictions, if a PoA is not in place, the exercise of voting rights is not allowed. The ongoing validity of PoAs is checked on a regular basis and, in the event that a POA is going to expire, clients are requested to renew the PoA.

(ii) Share blocking

When share blocking is required to exercise voting rights, the sale of some or all of the shares held may be blocked until after the meeting date. The Proxy Voting team liaises with liaise with the lead analyst for the company in question along with the relevant portfolio managers to determine whether it is acceptable to block shares. The level of share blocking is adapted, where possible, to permit sell orders that will be executed before the record date.

(iii) Stock registration

For segregated accounts, when stock registration is required to exercise voting rights, the client must approve the registration. If Comgest does not receive the client's approval, votes are not cast.

(iv) Securities lending

Comgest does not engage in stock lending for any of its portfolios. For segregated accounts where clients engage in stock lending, we will monitor the votes where stock lending is in place and ensure that if the stock is recalled before the voting cut off that the available shares for voting have been updated on the proxy voting platform.

4. How our engagement and voting activities interact

Active ownership involves using multiple levers to drive value creation for our clients. Voting activity may form an important element of a company engagement strategy and may be used in conjunction with direct company interactions. Our initiatives across both voting and engagement activities must be aligned. In order to ensure this coordination of efforts, the ESG analyst team are involved throughout the voting and engagement process for each company.

5. Escalation

(a) Escalation approach

Our approach to escalation does not differ across funds or geographies apart from where local laws and practices require, for example with respect to filing shareholder resolutions.

Our goal when voting and engaging with companies is to maintain a transparent dialogue with companies in order to achieve improvement. We like to work in partnership with our investee companies on engagement issues. It is therefore only if none of our engagement methods have yielded success, and it becomes clear that we will not achieve our engagement objectives through active dialogue, that we may be compelled to escalate our concerns. This occurs when we are not satisfied with responses from multiple interactions with the company, typically involving also multiple representatives of the company.

(b) Methods of escalation

When faced with a lack of responsiveness on the part of companies in response to an engagement action, some of the next steps we may take include the following:

1. Raising our concerns to the Board, including Independent Board Members. We also use our voting rights at AGMs and may convey our voting intentions to Boards and Executive Committees ahead of AGMs in order to highlight our stance on a particular matter of disagreement.
2. Collaborating with other investors on the engagement, which can be a more efficient form to achieve desired outcomes from escalation activities by creating a common front and gaining more weight to our requests
3. Sending more formal letters to the company or Board to make our stance more serious and official (either individually or collaboratively)
4. Rarely, we may consider informing regulators or the press of our stance or file a shareholders' resolution in cases where we believed the company kept ignoring the interests of minority shareholders
5. Divestment (refer C.5.c.)

(c) Time horizon and conditions that could lead us to divest

As long-term investors, we have always been comfortable knowing that engagement can yield results gradually, sometimes over many years, before we would consider that our activity has reached a conclusion.

Where we see no prospect of the company enacting change and if our concern is material in nature, we may sell our position. Once an engagement that has been identified to be of material concern commences, we define a maximum horizon of 5 years for our efforts to incite change before exiting, in the best interest of shareholders.

D. CONFLICTS OF INTEREST

1. Our Conflicts of Interest Policy

As an independent asset manager owned by its employees and founders, the Comgest Group has no relationships or affiliations with any brokers, counterparties or custodians. Comgest does not trade for its own account with the exception of the Group holding company which may seed or invest in Comgest funds. Employees do not sit on boards or hold other positions in the listed companies in which we invest. This independence assists Comgest in avoiding conflicts of interest and in carrying out its activities with a long-term objective and in the best interests of its clients.

Comgest aims to be transparent with clients as to its investment management style from the outset and in doing so we look to partner with clients who share similar investment beliefs and our long-term investment horizon. This alignment between Comgest and its clients typically results in shared views on stewardship. When views differ, we endeavour to respect client specific needs where possible (e.g., the application of client voting policies).

Despite the foregoing, Comgest operates in an environment where it will face actual, potential or apparent conflicts of interest. We recognise that a policy for the identification, prevention or management of conflicts of interest in the best interests of clients is essential and that failure to identify and manage conflicts may lead to reputational and regulatory risk for the business. The Compliance department is responsible for our Conflicts of Interest Policy, which is provided to our clients and is available on request. Comgest Group's policies and procedures have been designed to identify and properly disclose, mitigate, and/or eliminate applicable conflicts of interest.

2. Conflicts of interest mapping

As part of the conflicts of interest framework, a Conflicts Mapping is undertaken by the Compliance departments. This sets out all potential conflicts that could impact the Comgest Group, individual entities within the Group and clients. The Conflicts Mapping takes into account any circumstances of which Comgest is or should be aware which may give rise to a conflict of interest as a result of the structure and business activities of other members of the Group. The Conflicts Mapping looks to:

- Identify and describe all potential conflicts;
- Determine how each conflict is managed or mitigated;
- Describe disclosure obligations, where relevant;
- Cite any policies or procedures that have been implemented in order to manage or avoid the conflicts; and
- Identify the parties in conflict, whether internal or external to Comgest.

3. Conflicts of interest log

Each Compliance department maintains a Conflicts of Interest Log to document the assessment of, and response to conflicts.

4. Conflicts of interest assessment

When a potential conflict of interest is identified, a conflict-of-interest assessment is undertaken. The assessment is conducted by Compliance and the relevant Board of Directors, where required.

5. Conflict resolution

Comgest makes every effort to prevent conflicts of interest and, should they arise, to resolve them equitably in the interests of its clients. Where arrangements put in place by Comgest cannot prevent, with reasonable confidence, conflicts of interest from adversely affecting the interest of a client, Comgest shall disclose to the client the general nature and/or sources of the conflict of interest and the steps taken to mitigate those risks before undertaking business on behalf of the client.

Notwithstanding the robustness of our policies and processes, we believe that our partnership structure is our most effective tool against conflicts of interest, because it creates strong alignment between our clients' interests and our own.

6. Areas of Potential Conflict of Interest

(a) Proxy voting process

Potential conflicts are most likely to arise in relation to the proxy voting process. We have put in place a number of actions to minimise such risks. We consider a number of factors and procedures, including:

- Votes are based on pre-determined Proxy Voting Rules and any deviations have to be justified, thereby limiting discretion of analysts and portfolio managers.
- Comgest is an independent Group, and we only provide asset management services, therefore conflicts do not arise through other activities or through relationships with affiliates carrying out other activities.
- Employees are required to report any positions held in other companies (e.g. directorships). With the exception of Comgest funds, employees do not sit on boards or hold other positions in the companies in which we invest.
- We abstain from voting where a conflict of interest may arise, e.g. on behalf of a client account which is invested in a Comgest fund.

(b) Engagement activities

Conflicts may also arise in connection with our engagement activities. We endeavour to respect rules in relation to acting in concert with other shareholders and employees are appropriately trained to avoid risk of market abuse or access to insider information.

E. OVERSIGHT

The ESG team, with the approval of the Sustainability Committee, establishes the overall approach for engagement and works with the investment teams to set appropriate objectives for the individual companies in our investment universe. The Sustainability Committee maintains oversight of all material engagements as a standing agenda item at their meetings.

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.

F. REPORTING

— **Annual voting and engagement reporting: UK Stewardship Code**

We disclose annually how we have implemented our Active Ownership Policy. Information is published within Comgest's UK Stewardshp Code Report which is publicly available on our website and covers:

- The nature and extent of our engagement activities, including how we have selected issues for engagement and the type of engagement we have undertaken;
- A description of our voting behaviour, including an explanation of our most significant votes; the use of proxy advisors and a description of how Comgest cast votes in the general meetings of companies in which it held shares on behalf of clients.

— **Quarterly Responsible Investment Reports**

A summary of voting and engagement activities are available in the firm's quarterly responsible investment reports. These reports are available to invested clients upon request.

— **Quarterly public fund factsheets**

In certain regions, our public fund factsheets display quarterly statistics on our engagement and voting activity.

— **On-Demand Voting & Engagement Reports**

For segregated accounts, Comgest can provide specific voting and engagement reports upon request.

— **Voting dashboard**

Summarises Comgest's voting activity for each investee company. This dashboard is updated daily and voting results are visible with a 90-day lag.