The Quality Growth Investor

COMGEST GROUP ANNUAL VOTING & ENGAGEMENT REPORT

JAN. 2021 – DEC. 2021

INDEX

I. INTRODUCTION

The Comgest Group[1] (Comgest) has developed an investment philosophy based on long-term "quality growth", focusing on companies with sound business and financial practices which can deliver sustainable earnings growth. Our investment philosophy naturally leads us to examine companies' performance along both financial and non-financial criteria.

In 2010, Comgest committed formally to responsible investment when it signed up to the United Nations Principles for Responsible Investment[2] (UN PRI). Comgest incorporates environmental, social and governance (ESG) factors into its investment process and takes ESG issues into account as a shareholder. We have developed a Responsible Investment Policy as well as a Responsible Voting Policy and an Engagement Policy. Comgest's independence allows us, in most cases, to exercise voting rights and engagement without any considerations other than the best interest of investors.

As an active investor and member of the UN PRI, Comgest has the objective of systematically voting at all the ordinary and extraordinary general meetings held by its investee companies, whenever this is possible.

Company engagement is also a key element of Comgest's active ownership approach. Comgest engages with companies on specific ESG incidents, or to improve companies' general ESG-related practices. Engagements may take place directly with companies or in collaboration with other investors.

The purpose of this report is to provide an aggregate view of all our voting and engagement activities over the preceding year (from 1 January 2021 - 31 December 2021).

II. VOTING REPORT

Comgest has designed its Voting Policy based on its own beliefs as well as commonly accepted best practices and high governance standards. Full details can be found in our Voting Policy. Additional information on how Comgest cast its votes in the general meetings of companies in which it holds shares is available in the Proxy Voting Dashboard available on our website.

Comgest's portfolios are invested in both developed and emerging markets. Given the diversity of these markets and their various business practices, legislation and maturity, it is extremely difficult to apply a single set of voting guidelines. Every resolution at a general meeting must be analysed individually.

This voting report only covers votes cast for public pooled funds, dedicated funds as well as mandates that have delegated the exercise of voting rights to Comgest. It does not cover mandates that have not delegated the exercise of voting rights to Comgest as well as mandates that have instructed Comgest to apply the client's voting policy.

1. Overall Statistics

In 2021, Comgest voted at **476 general meetings**, representing over **98%** of all the general meetings held by investee companies, or around **99%** excluding meetings at which Comgest declined to vote to avoid conflicts of interest (see section IV).

Comgest did not vote at **4** general meetings, held by **4** companies, either for technical reasons or because voting was not considered to be in the best interest of investors (e.g., to prevent blocking of shares).

Overall, Comgest voted on **5475** resolutions concerning **352** companies in **40** countries.

Comgest **voted against, or abstained from voting on, at least one resolution** at **306** general meetings.

[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] UN PRI: http://www.unpri.org/

2. Statistics on General Meetings

Figure 1. General Meetings by Country

COUNTRY	VOTABLE MEETINGS	VOTED MEETINGS	%
Belgium	1	1	100.00%
Bermuda	2	2	100.00%
Brazil	52	50	96.15%
Cayman Islands	20	20	100.00%
Chile	4	4	100.00%
China	37	37	100.00%
Colombia	1	1	100.00%
Cyprus	2	2	100.00%
Denmark	11	11	100.00%
Egypt	1	1	100.00%
Faroe Islands	1	1	100.00%
Finland	1	1	100.00%
France	15	15	100.00%
Germany	18	18	100.00%
Greece	1	1	100.00%
Hong Kong	1	1	100.00%
India	64	64	100.00%
Indonesia	1	1	100.00%
Ireland *(See Section IV)*	12	8	66.67%
Italy	5	5	100.00%
Japan	67	67	100.00%
Jersey *(Channel IsL, UK territory)*	4	4	100.00%
Kenya	1	1	100.00%
Luxembourg	6	6	100.00%
Mexico	13	13	100.00%
Netherlands	11	11	100.00%
Pakistan	3	3	100.00%
Philippines	1	1	100.00%
Poland	1	1	100.00%
Portugal	1	1	100.00%
Russia	3	3	100.00%
South Africa	6	6	100.00%
South Korea	7	7	100.00%
Spain	2	2	100.00%
Sweden	4	4	100.00%
Switzerland	11	11	100.00%
Taiwan	3	3	100.00%
USA	42	42	100.00%
United Kingdom	12	12	100.00%
Vietnam	36	34	94.44%

3. Statistics on Resolutions

Comgest exercised its voting rights on5475 resolutions out of a total of **5551** resolutions, representing **98.6%**.

Comgest voted on **122 shareholder resolutions**.

Figure 2. Exercise of Voting Rights

BREAKDOWN OF VOTES	%
For	82%
Against	16%
Abstentions or Withholdings	2%
In Line with Management	83%
Against Management	17%
In Line with Comgest Policy	96%
Against Comgest Policy	4%
For Shareholder Resolution	80%
Against Shareholder Resolution	17%
Abstention on Shareholder Resolution	3%

4. Statistics on ESG themes

Figure 3. ESG themes breakdown

BREAKDOWN OF THEMES	%
Environmental	0.09%
Social	0.47%
Governance	99.43%

Resolutions are largely driven by Governance topics, even if we have seen over the past few years Environmental and Social (E & S) resolutions gaining space. Most of the E & S resolutions were shareholder resolutions.

5. Significant Votes

Comgest provides a rationale for voting decisions it considers significant such as votes against management, votes on shareholder resolutions, votes withheld, votes that are not in line with our voting policy, and votes that represent a significant shareholding. Below is a selection of our significant votes.

Votes against management

COMPANY	DATE	MEETING	PROPOSAL VOTED AGAINST	RATIONALE
Avery Dennison	22-Apr-2021	AGM	Ratify PwC LLP as Auditors	Auditor's tenure exceeded 15 years.
Linde	26-Jul-2021	AGM	Approval of the Omnibus Stock Plan	1) Non-employee directors were eligible to participate in the plan; 2) Maximum dilution exceeded 3% of issued capital; 3) Not all the awards would be subject to performance criteria; 4) Vesting period was less than 3 years
Dassault Systemes	26-May-2021	AGM	Advisory Vote to ratify the Executive Officers' Compensation	1) Level of disclosure on bonus remained low; 2) Alignment between performance and bonus outcome regarding certain quantitative criteria was unclear; 3) Information on performance achieved for vested LTIPs was low, which was all the more problematic as the quantum was significant.

Votes against Comgest's own voting policy

COMPANY	DATE	MEETING	PROPOSAL	RATIONALE
Walmart	02-Jun- 2021	AGM	Elect Director Randall L. Stephenson	Comgest voted against the selection of Director Stephenson and against Comgest's voting policy because we were not convinced of his value proposition and feared a potential negative impact.
Daikin	29-Jun-2021	AGM	Elect Director Kawada, Tatsuo	Comgest's voting policy generally recommends voting in favour of a diverse board in terms of age. In this case, however, we decided to vote for the election of Mr. Kawada despite his age of over eighty years because we see value in his service. He is an active CEO at Seiren, where he has led its successful business diversifications from textiles to auto and electronic parts. He also serves as an outside board member of major public companies, namely Hokuriku Electric Power and Fujifilm Holdings.

Shareholder proposals
(Below is an illustrative selection of the ESG topics over the review period)

COMPANY	DATE	MEETING	SHAREHOLDER PROPOSAL	RATIONALE
Visa	26-Jan- 2021	AGM	Amend Principles of Executive Compensation Program	Comgest voted against the proposal to amend the principles of Executive Compensation program because we believed that the Board and Compensation Committee were generally best suited to make decisions about the guiding principles of executive compensation. The company provided disclosure surrounding its executive compensation setting process and no problematic pay practices or pay-for-performance concerns had been identified.
DSV Panalpina A/S	04-Mar-2021	AGM	Reporting on Climate-Related Financial Risks and Opportunities	Comgest decided to vote in favour of the resolution on reporting on Climate-Related Financial Risks and Opportunities. Such improved disclosure will help to confirm the company's commitment in our view.

6. Use of Proxy Advisor Services

We do not delegate or outsource votes. To make voting as efficient as possible, Comgest uses the services of Institutional Shareholders Services (ISS), a leading proxy voting service provider, to analyse resolutions and make voting recommendations in accordance with our Responsible Voting Policy and principles. However, we may elect not to follow the voting recommendation where we believe that our standard policy does not take into account the specific circumstances of the company and therefore may not be appropriate.

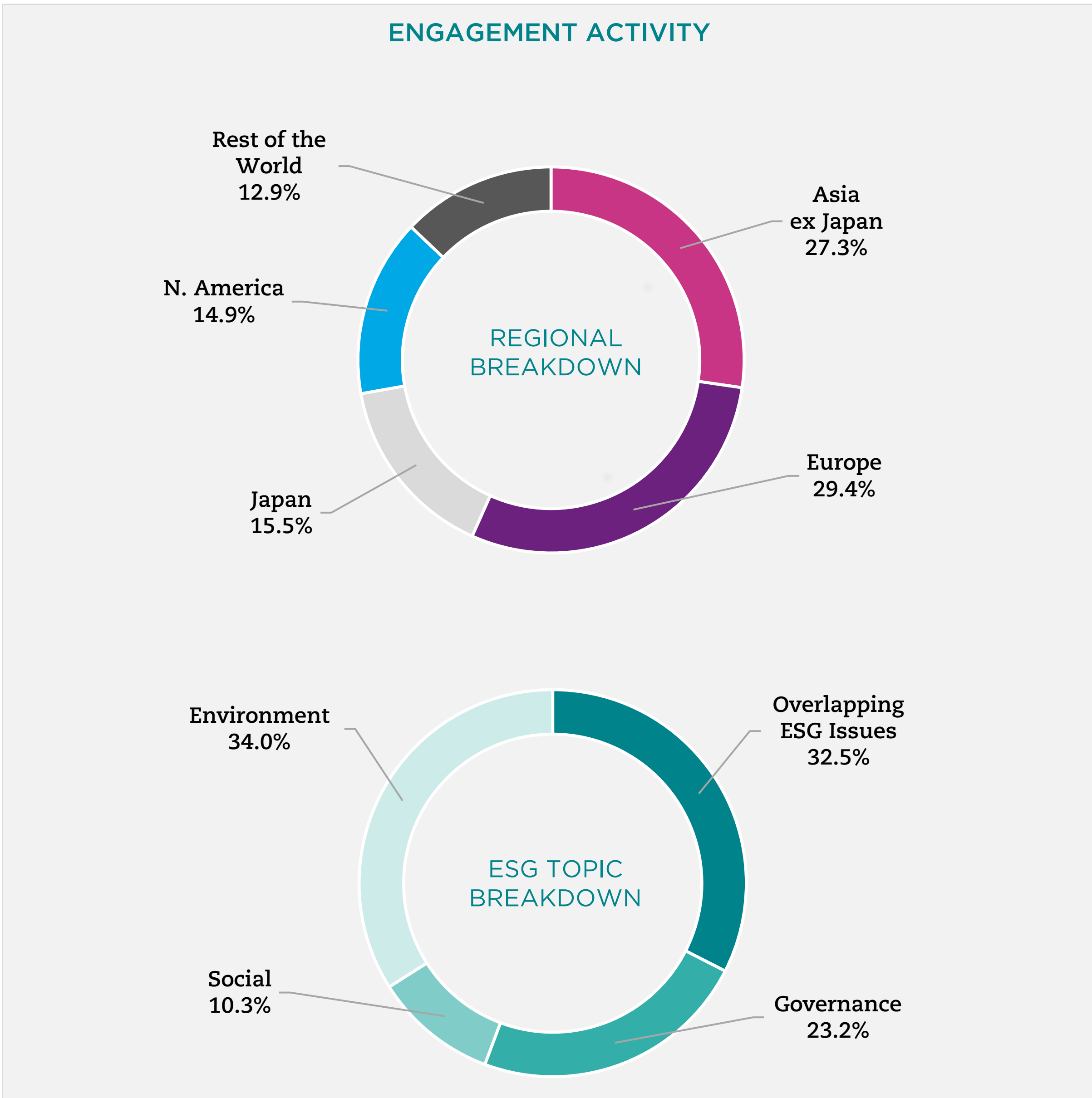
When an analyst decides not to vote in line with the recommendations based on our detailed voting policy, the decision and the reasons for it are recorded and are available for our clients. The ESG team monitors all such voting activity and provides data on comparable voting concerns across other regions that may help the analyst refine their decision.

III. ENGAGEMENT ACTIVITY

1. Individual engagement

We engage with companies where we have identified material ESG risks that can be mitigated and/or ESG opportunities that can be developed. Sometimes Comgest may decide to engage with multiple companies on a specific ESG issue that can be material to a large part of the portfolio.

In 2021, we more than doubled our engagement efforts. We engaged with **135 companies** (vs. 66 in 2020) and carried out **194 engagement actions** (vs. 77 in 2020). Statistics on this activity are given in the charts below. The most common topic of engagement is remuneration.



Methods of engagement include individual and group meetings and calls with management. The analyst tracks and reports on progress on the issues raised. We also engage with companies ahead of general meetings to discuss and sometimes influence proposed resolutions, to ensure that they are aligned with the interests of minority shareholders and compliant with our governance principles. Such dialogues may be initiated by Comgest, by a group of investors including Comgest, or by the companies themselves when they want to know investors' views on specific topics to adjust the content of resolutions. The topics that are most likely to be discussed in the context of general meetings are top management's remuneration and shareholders' rights.

Examples of Engagement Activities
(conducted by our Investment and ESG Teams during the period under review)

CASE STUDY: **ENGAGING ON CLIMATE IN EMERGING MARKETS**

A conversation with **Xing Xu, ESG Analyst**, and **Yann Gérain, ESG Analyst & Portfolio Manager**

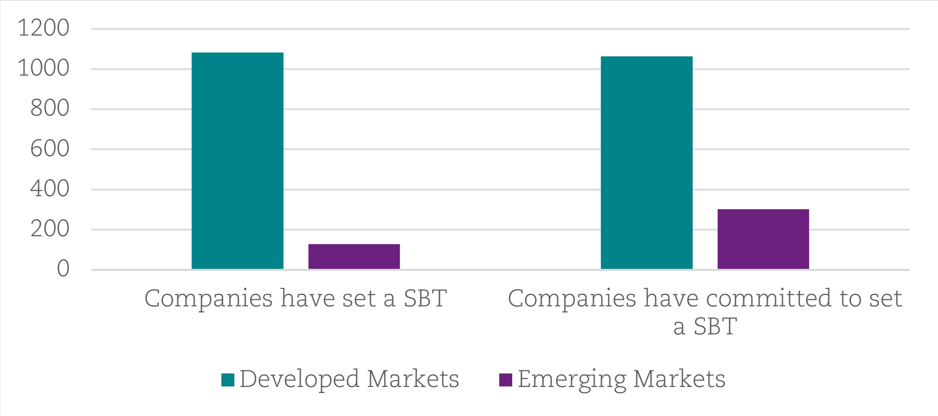
Xing Xu joined Comgest in 2020 and is an ESG Analyst, responsible for ESG coverage of Asian markets.

Yann Gérain joined Comgest in 2012 and is an ESG Analyst and Portfolio Manager responsible for ESG coverage of Emerging Markets and Japan. He is also a member of the Comgest Group's Responsible Investment Committee.

Companies in emerging markets still need to gain pace in the race to net-zero

More than 2,500 companies worldwide are setting emissions reduction targets through the Science Based Targets initiative (SBTi) and companies headquartered in emerging markets are still largely under-represented in the group while being significant contributors to global greenhouse gas emissions. Having a long-term investment horizon and caring about the impact of portfolio companies on the environment, Comgest is committed to monitoring companies' climate risk and footprint as well as support them in their transition towards lower-carbon business models. For several years, our teams have engaged portfolio companies on climate change, including in our emerging markets strategies, with key asks around climate roadmaps, governance mechanisms, target-setting, and enhanced disclosures.

Companies setting emissions reduction targets



Source: Feb. 2022, SBTi

What are the key challenges you face when engaging with companies on climate?

Yann: The lack of climate disclosure is often an obstacle we face, especially when looking at emerging markets, where companies generally aren't pressured by regulators to disclose on climate risks, opportunities, and impacts. When they do disclose some climate-related information they often don't align these disclosures with internationally recognised frameworks such as the TCFD. Hence, requesting climate data is often the starting point of our engagements. We ask companies to measure and disclose their scope 1, 2 and 3 emissions, across their entire operations. Emerging market companies frequently only consider their headquarter offices when defining their footprint. Our expectation is that they include all areas of business, transparently share their methodology and have their data audited by a third party.

For instance, when engaging with an online payment platform in Brazil, we asked about their intention to disclose their carbon footprint. The company was able to confirm they had hired an external consultant to measure their carbon emissions and we were able to monitor their progress with the release of their Sustainability Report at the end of 2021.

Why is it important for companies to set emissions targets?

Yann: Once companies measure and disclose their carbon footprints, targets help us assess how robust and ambitious companies' climate roadmap to net zero are. Indeed, we want to make sure companies take relevant climate actions, prioritising the reduction of their impact instead of taking the offsetting route. Comparing actual emissions against these targets also allow us to regularly track companies' progress and act swiftly if companies were to veer away from their decarbonisation

CASE STUDY: **ENGAGING ON CLIMATE IN EMERGING MARKETS**

pathway. Setting science-based emissions reduction targets is one of our key asks when engaging on climate. For instance, in November 2021, we engaged with a company operating more than 500 car rental agencies across Latin America and requested more details on their carbon reduction targets after it had reported for the first time in 2020 on its downstream scope 3 emissions (i.e., carbon emissions linked to its customers).

How important is it to get ESG and climate governance right?

Xing: Making sure companies have robust governance and accountability systems covering sustainability topics is central to our analysis and engagement work. It is crucial for us to get to know the people responsible for managing these topics. For example, after several engagements with a major Chinese e-commerce platform, our team held an in-person meeting with the company's newly appointed ESG Director in December 2021. The conversation allowed us to verify that the company's ESG matters are reported to a board-level committee and integrated in daily operations through cross-business ESG action groups. The company was also able to share its carbon reduction roadmap which we will enable us to track their progress.

Is tracking progress your mantra for efficient climate engagements?

Xing: Definitely! Emerging market companies are often less equipped than their developed market peers to manage their climate-related risks and impacts. Continuously asking about climate during our engagements, should the conversation focus on ESG or not, is a low-hanging fruit to keep the topic on companies' agendas. Eventually companies get it, especially when they start leveraging on climate-related opportunities. For instance, we were able to witness increased investments in the development of more sustainable plastics and EV batteries at one of our South Korea-based investees and our engagement with the company helps us to better understand the company's sustainability strategies and roadmaps.

CASE STUDY: **ENGAGING ON CIRCULAR ECONOMY OPPORTUNITIES**

A conversation with **Petra Daroczi, ESG Analyst & Portfolio Manager** and **Rémi Adam, Analyst & Portfolio Manager, US Equities**

Petra Daroczi joined Comgest in 2021 and is an ESG Analyst and Portfolio Manager responsible for ESG coverage of developed markets, particularly the USA.

Rémi Adam joined Comgest in 2019 and is an Analyst & Portfolio manager in the U.S. Equity team.

Analysing sustainability-related risks is a fundamental step in Comgest's ESG integration process to assess the overall quality of a company. But what often differentiates companies as long-term sustainability champions is their ability to capture growth opportunities aligned with a low-carbon, resource-efficient and sustainable world. At Comgest, we look to engage companies where we have identified ESG opportunities that can be further accelerated. Our engagements with a leading manufacturer of wood-alternative decking systems and a worldwide labelling solutions provider are good examples of the role we believe we need to play as investors to grow sustainable products.

Companies operating in the homebuilding industry are often identified as having significant environmental impacts, especially regarding resource usage and waste. How is a wood-alternative decking company different?

Petra: The company we invest in manufactures decks from an innovative blend of 95% reclaimed timber and recycled plastic. By producing these composite decks, the company has in fact become one of the largest polyethylene film recyclers in the U.S.! Moreover, the company has mastered the end-of-life treatment of its manufacturing process, with factory runoff and reuse recycled back into the production lines.

Rémi: Similarly, what first comes to mind when thinking of a packaging and labelling company is the pollution generated by its products, especially in locations where waste collection and recycling facilities are absent. However, to draw a parallel with the composite deck manufacturer, the labelling company we are invested in already generates 50% of its sales from sustainable labels that

CASE STUDY: **ENGAGING ON CIRCULAR ECONOMY OPPORTUNITIES**

reduce material usage and enable end-product recyclability by, for instance, designing labels that separate cleanly during the recycling process and limit contamination of recyclable PET plastic.

What further growth opportunities do you see for these types of sustainable products?

Petra: We foresee tremendous growth opportunities. In the case of the decking manufacturer, the primary competitors the company needs to disrupt are wood-decking producers who account for 78% of market share. Shifting from timber to composite decks makes sense for customers who can save on maintenance cost while reducing their impact on the environment. So, it seems that the stars are aligned for composite products to grow in a $6 bn residential decking and rail market.

Rémi: The same thinking can be applied to the labelling company. Ensuring the recyclability of its products is nothing less than a licence to operate with both customers and regulators scrutinising the end-of-life impacts of products. The EU's ruling on all plastics to be recyclable by 2030 is just one example that highlights the evolving rules of the game packaging companies need to abide by. Furthermore, it's interesting to see how the company we are invested in has been able to look beyond the sustainability of its own products to position itself as an enabler of the circular economy. For instance, its radio-frequency identification (RFID) solutions equip clients with the key information (i.e., product composition, preferred consumption date, etc.) that they need to efficiently track supply chains and advance waste and recycling systems. Looking at the food sector, these RFID tags could allow to better identify expiry dates and eventually limit food waste. In the apparel sector, information built-in the tags could improve recyclability of products or second-hand selling.

Why is it important to engage on recyclability and circularity with companies?

Rémi: Engaging on these themes, along with other wider ESG topics, boils down to better understanding the companies' level of preparedness to meet changing regulatory and client demands and to capture linked growth opportunities.

Petra: Additionally, it allows us to better spot greenwashing. Circularity has become a buzz word and asking targeted questions, such as what the company defines as a sustainable product and the share of these products in their current and projected portfolios, often sheds light on the robustness of their claims.

What further steps can the companies take to continue reducing their environment impact?

Petra: Ultimately, this type of company should target to operate in a closed loop, with a full circular economy model in which waste becomes an input to create new products. Engaging with the companies is the best way to identify the challenges they face to reach this end goal. For instance, in the case of the decking company, logistical barriers remain to collect globally dispersed waste, but they have started the journey with a pilot collection program in 2021. Similarly, the labelling company was able to discuss the current lack of recyclability of its RFID chips and their ideas to address the issue. Of course, we pair these objectives with more generic requests such as setting science-based targets for decarbonisation and aligning environmental disclosures to international standards such as the TCFD. In essence, as quality growth investors focused on an in-depth analysis of the stocks we hold, we see immense value in going beyond a tick-the-box approach and believe engagement plans are meaningful only if they set tailored and achievable milestones, against which we regularly track progress.

CASE STUDY: **LIMITS TO ENGAGEMENT**

A conversation with **Sébastien Thévoux-Chabuel, Head of Responsible Investment – ESG Analyst & Portfolio Manager**

Sébastien Thévoux-Chabuel joined Comgest in 2013 and is Head of Responsible Investment as well as a member of the Comgest Group's Investment and Responsible Investment Committees. As a long-standing ESG Analyst and Portfolio Manager specialising in developed markets including Europe and the U.S., Sébastien meets and engages with company management alongside Comgest's investment Analysts.

Transparency is anchored in Comgest's values and responsible investment philosophy. When reporting on our responsible investment activities, materiality guides how we single out the examples we include in our reports. Even if this means disclosing on challenges, limits, and failures. Humbly sharing on what went wrong is certainly one of the most efficient ways asset managers can contribute to advance sustainable finance. Comgest was invested in Orpéa from 2017 to February 2022. This annual Voting & Reporting report is an opportunity to take stock and draw lessons from our engagement with the worldwide operator in dependency care.

At Comgest engagement starts before any stock is bought. What does this mean in practice?

As a long-term investor focused on quality growth our mantra is to know the companies we invest in well. This translates into extensive research and engagement before any decision to invest is made. A company can be on a watchlist for several years prior to entering our concentrated portfolios. In the case of Orpéa, our analysts carried out field interviews with key stakeholders such as regulating authorities or ex-employees as well as site visits to supplement a thorough ESG, business and financial analysis, accumulating around 200 pages of notes from such meetings.

Orpéa operates nursing homes and dependency care facilities, including psychiatric care facilities. Was the sector in itself an ESG red flag discussed during the investment decision-making process?

Some may argue that making profit while caring for vulnerable people (senior, patients suffering from mental health disorder, etc.) just can't work. The hard reality is that our developed markets' population is ageing, and state-run facilities aren't currently coping with increased demand. We believe that it is precisely in these complex industries that responsible investors have a meaningful role to play. Rather than shying away from the sector, our role is to identify companies that are tackling major social challenges such as ageing, provide them with capital and accompany them through active engagement to ensure they deliver social value.

How do you assess if a company is delivering social value when engaging?

In the case of Orpéa we had established a list of services that we believed were key to ensure the well-being of patients and residents (hygiene, meals, etc.). During our ongoing engagement discussions, we were able to ask targeted questions to assess the quality of these services. For instance, the low-cost levels of meals, raised concern amongst our analysts regarding the nutritional quality of the food. Our discussion with the management team allowed us to understand the cost-breakdown and how their operations (e.g. bulk buying, centralised kitchens.) led to cost-efficiency. Our teams also requested to try menus while visiting Orpéa's facilities. These regular site visits were key to better perceive Orpéa's practices, especially in lower-tier facilities such as the Bobigny location, which we specifically requested to visit. Additionally, labour rights and well-being in the workplace was a topic we had identified as material. Orpéa is a people-business which strongly depends on attracting and retaining passionate and competent personnel. Training plans, recruitment strategies and incentives were central in our engagements. In 2020 and 2021, we explicitly asked the company to work on salary increases and an incentive plan, linking variable remuneration to ESG performance.

In hindsight, the engagement with Orpéa didn't allow to fully comprehend its practices. It there a limit to engagement?

Totally, there are limits to engagement. Despite our tremendous efforts to get to know the companies we invest in as long-term investors, Orpéa is a significant example of the limits that exist to fully perceive a company's practices, especially when a company purposefully conceals information.

Over the last two years, we mandated three independent research companies specialised in forensic accounting and forensic ethics analyses. While their conclusions on Orpéa were overall reassuring, our decision to drop our position was strongly linked to the loss of trust in the board and the management team. As of mid-2021, our level of concern rose regarding the board's accountability

CASE STUDY: **LIMITS TO ENGAGEMENT**

and the independence of the audit committee, only to be cemented with the allegation of fraud and kickbacks published in the press at the start of 2022. In essence, we see ourselves as partners with our investee companies. Engagement can only work if companies are truly willing to progress towards more sustainability and have sound governance mechanisms and corporate integrity to account for this progress.

Is the need to scrutinise even more governance models a fundamental learning here?

Definitely! Looking back at Orpéa, there are several governance practices which when combined represent a serious red flag. The fact that the management team is a close-knit group that went back 15 years, or having new joiners quit quickly after joining, is one of them. Without a strong "G" a company can't deliver on the "E" and the "S". Let's take climate change for instance. A company can make all the net-zero claims it wants. If the management team and the board aren't accountable for tracking progress against regular carbon emissions targets, the claims have no teeth. We believe it boils down to the board members' accountability, including in front of courts. This accountability needs to be reinforced, especially in France, and we hope to open the debate and work on proposals with other investors to make it happen.

CASE STUDY: **IMPLEMENTING BESPOKE ESCALATION STRATEGIES**

A conversation with **Petra Daroczi, ESG Analyst & Portfolio Manager**.

Petra Daroczi joined Comgest in 2021 and is an ESG Analyst and Portfolio manager responsible for ESG coverage of developed markets, particularly the USA.

Our investment style as a concentrated stock picker influences our engagement process. We will certainly engage with fewer companies than our industry peers. However, we believe our engagements, on ESG and wider topics, translate into deep and tailored discussions. We see the companies we invest in as partners to which we must provide candid feedback and convey clear expectations, especially when we aren't satisfied with their ESG performance. Having these hard conversations and developing bespoke escalation strategies are indispensable to shaping sustainable outcomes. Our ongoing engagement with Activision Blizzard, a leading US gaming player facing sexual harassment allegations, is a material example of our escalation strategy at play.

Why is it important for an investor to address issues such as sexual harassment and toxic work environments?

First and foremost, it is the right thing to do! It also makes business sense. The gaming audience is diverse. Around 50% of Activision Blizzard's 400 million players are women and the company's franchises are popular amongst various ethnic minorities. Inclusive design and ensuring in-game characters that mirror a diverse fan base are crucial to gain market share. What's more, people represent Activision Blizzard's greatest asset. Attracting and retaining the finest creative talent represents a competitive advantage. A toxic work culture, leading to a talent drain, can only result in slower game production, release delays and deteriorating financial performance.

Given the severity of the allegations, what levers did the ESG and investment team use to engage with Activision Blizzard?

Immediately after the California Department of Fair Employment & Housing filed a lawsuit against Activision Blizzard on harassment, discrimination and retaliation claims, our team engaged with the company to gain clarity on its intended next steps to address the allegations. Information shared by the company was cross-checked with our research, including scanning social media activity or analysing the level of support to the employee petition, to obtain a detailed understanding of the situation. Based on our findings, we communicated our five key expectations to the board via a letter in September 2021. These time-bound requests included asking the company to (1) create an independent Chief People Protection Officer role, (2) publish the results of the external audit in its entirety, (3) add an employee representative to the company's board of directors, (4) exclude harassment from employment contracts' and termination settlement agreements' non-disclosure clauses and (5) form with its peers an industry body responsible for setting anti-discrimination and -

CASE STUDY: IMPLEMENTING BESPOKE ESCALATION STRATEGIES

harassment standards. To ensure our requests were considered, our team met with the company's Lead Independent Director, Robert Morgado, in November 2021.

Why do you think governance is so crucial in this context?

We strongly believe that harassment and discrimination issues can't be solved without improving transparency, independence, accountability and employee representation. The Wall Street Journal revealing, just a few days before our meeting with R. Morgado, that the company's CEO knew about these sexual-misconduct allegations without acting on them shows how weak governance and permissive leaders can be a breeding ground for harassment and abuse. In essence, a company's senior management and board should be ultimately held accountable for ESG performance.

Is individual engagement the only lever you are using?

It isn't easy for one investor alone to drive change within a company's practices. Hence, from the start, our one-on-one engagement with Activision Blizzard has been tied to proactive discussions with other investors to exchange information and rally support for our expectations. The fact that several investors act together puts a lot of pressure on targeted companies. Given the severity of the situation we wanted to make sure we were using this pressure to deliver positive changes as swiftly as possible. Voting is another tool we hope to be using in the coming month. Indeed, we still hold the company in our U.S. portfolios. Keeping a foot in the door, will allow us to cast votes in the next annual general meeting and support shareholder resolutions asking for more transparency on the matter and relevant changes to the management team.

2. Collaborative engagement

Comgest also participates in collaborative initiatives involving a number of asset managers and owners. Often, these are organised through the UN PRI Collaboration platform, but we have also joined in other multi-investor engagement efforts such as the CDP.

Examples of collaborative engagements undertaken in 2021

SPONSOR/TITLE	REGION	DETAILS	OUTCOME
CDP Non-Disclosure Campaign	Global	As per the last three years, Comgest participated in the 2021 CDP Non-Disclosure Campaign, a collaborative engagement campaign that encourages companies to disclose more standardised environmental information to allow for better comparison. We led the engagement with 28 companies to request the submission of CDP Climate Change, Water and/or Forest questionnaires. We supported the engagement with 27 additional companies by co-signing letters requesting companies to disclose through the CDP questionnaires.	Overall, 25% of the companies engaged in the 2021 CDP Non-Disclosure Campaign responded to at least one CDP questionnaire (i.e. Climate, Water, or Forest). According to the CDP, companies engaged in the campaign were 2.3 times more likely to disclose if engaged by investors to do so. Out of the 55 companies engaged by Comgest, 18 responded to at least one CDP questionnaire.
CDP Science-Based Targets Campaign	Global	Following last year's initiative, Comgest renewed its participation in the CDP Science-Based Targets Campaign*, a collaborative engagement initiative that aims to accelerate the adoption of science-	Overall, 8.1% of the companies engaged in the CDP SBT Campaign joined the SBTi between October 2020 and August 2021. 68

SPONSOR/TITLE	REGION	DETAILS	OUTCOME
		based climate targets by companies. ** CDP is one of the founding partners of the Science-Based Targets initiative (SBTi).*	companies joined with a 1.5°C and net-zero commitment through the Business Ambition for 1.5°C campaign, and an additional 31 had SBTs approved.
Conflict Minerals in the Semiconductor Supply Chain	Global	Comgest participated in a collaborative engagement targeting conflict minerals in the semiconductor supply chain. Tantalum, tin, tungsten, gold and cobalt (hereafter referred to collectively as "conflict minerals") are vital materials and building blocks of the semiconductor industry. Over the last decade there has been a large shift in the sourcing of these minerals to central Africa where many mines operate with poor labour and environmental standards. Inadequate traceability of these minerals along complex supply chains can lead to the inadvertent financing of armed conflict and human rights abuses. The initiative is writing to a number of individual companies requesting that they take a leadership position in developing conflict-free mineral supply chains in the industry.	A letter was sent to 29 companies in November 2021. And the group received 9 acknowledgments of receipt. The engagement is still on-going.
Voting Procedures in Brazil	Brazil	Comgest took part in a collaborative engagement, which focuses on improving Brazilian voting mechanisms. The voting procedures in the Brazilian market are complex, especially for non-Brazilian shareholders. The current system makes the rules quite unclear and proxy voting for cumulative procedures do not work correctly in practice. The initiative is looking to send a letter to the regulator with the intention of requesting simplified voting processes and a solution to make cumulative voting work in practice.	On-going
Investor Letter on Chemicals	Global	Comgest joined an investor group (consisting of 23 investors with $4.1 trillion in assets under management) to urge the world's biggest chemicals companies to phase out production of hazardous substances which linger in the environment and have been linked to serious health problems. In Dec. 2021, the investor group sent a letter to the world's 50 largest	Comgest has engaged with other investors to jointly determine next steps and a common basis for engagement. We sent follow-up emails requesting a response to our letter with detailed questions as a preparation for a potential call to

SPONSOR/TITLE	REGION	DETAILS	OUTCOME
		chemical producers, asking for greater transparency on the chemicals they produce and a phasing-out of the most hazardous chemicals. Comgest co-leads the effort on 4 companies.	discuss the issues in more depth. Two companies agreed to meet in May and one company responded to us in writing.
Big Tech and Human Rights (Ad-hoc investor group)	USA	We are part of a coalition of large investors aiming to clarify expectations concerning social risks and human rights with big tech firms, notably Alphabet and Facebook. In March 2021, Comgest participated in calls with Facebook regarding their newly published Policy on Human Rights.	On-going

3. Industry involvement and advocacy

At Comgest, we seek to advance sustainable finance as well as spread a responsible and long-term mindset throughout the ecosystem we operate in. Our advocacy work targets listed companies, regulators, and financial industry stakeholders (our peers, asset owners, consultants, etc.).

Participating in responsible investment working groups and committees

INITIATIVE	DETAILS
Association Française de Gestion (AFG)	Comgest is a member of: - AFG*'s Responsible Investment Plenary to contribute to the development of responsible investing within the French asset management industry, and - AFG*'s Corporate Governance Committee to contribute to the development of the Corporate Governance Code for the French asset management industry. Topics include responsible investment regulations, ESG standards, sharing of best practices, governance codes, collaboration on response to French and European regulators' consultation papers, advocacy as an industry association. **AFG is the French asset management industry association.*
Institut Français des Administrateurs (IFA)	Comgest is a member of the IFA's Prospective & Research working group which aims to identify and analyse emerging governance topics. The first round of topics and workshops focused on how to build a Board "compass" and debated the legitimacy of shareholders as the ultimate stakeholder.
FinDatEx	Comgest is a member of the FinDatEx's EET working group which aims at easing the exchange of ESG data between manufacturers and distributors and helping them meet the European regulatory requirements.

Sharing knowledge on ESG and sustainability related issues

INITIATIVE	DETAILS
Deloitte Seminar – Sustainability for CFOs	Comgest took part in a seminar that involved the CFOs of about 80 French companies and focused on prioritising ESG investments and understanding reporting obligations. In our view, it is paramount that investors voice their needs and help companies structure their ESG disclosure in a manner that makes it useful and meaningful.

Supporting sustainability and responsible investment initiatives

INITIATIVE	DETAILS
UN PRI	Comgest has been a signatory since March 2010. In 2020, Comgest was assigned an A+ rating by the UN PRI on all criteria: Strategy & Governance (4th consecutive year); Listed Equity – Incorporation; Listed Equity – Active Ownership. Comgest's latest PRI Transparency Report and Assessment Report can be found here.
International Corporate Governance Network (ICGN)	Comgest is a member of the ICGN to raise standards of corporate governance worldwide.
Value Reporting Foundation	Comgest supports the Value Reporting Foundation* to advance integrated reporting practices. **The International Integrated Reporting Council (IIRC) and the Sustainability Accounting Standards Board (SASB) merged to form the Value Reporting Foundation in June 2021.*
Deforestation Free Finance	Comgest joined this new initiative in 2021 and is one of the signatories to the Financial Sector Commitment Letter on Eliminating Commodity-driven Deforestation, which is endorsed by 33 financial institutions representing $8.7 trillion in assets under management. The signatories recognise the vital role of financial institutions in tackling deforestation and commit to adopt the roadmap proposed by the Deforestation-free Finance Project by 2025, aligned with a Paris Agreement-compliant 1.5°C pathway.
FAIRR Initiative	Comgest supports the FAIRR Initiative which is a collaborative investor network that raises awareness on ESG risks and opportunities brought by intensive livestock production.
Task Force on Climate-related Financial Disclosures (TCFD)	Comgest supports the TCFD and encourages all portfolio companies to align disclosures to the TCFD recommendations.
Climate Action 100+	Comgest is a signatory to Climate Action 100+, an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change.
Access to Medicine Foundation	Comgest supports Access to Medicine Foundation, an independent non-profit organisation, which analyses how the world's largest pharmaceutical companies are addressing access to medicine.

Endorsing stewardship and transparency codes

CODE	DETAILS
Japan Stewardship Code	Comgest is a signatory to the Japan Stewardship Code since 2014. Comgest's statement on the implementation of the Code can be found here.
US Stewardship Code	Comgest is an endorser to the US Stewardship Code since 2017.
European Transparency Code	Several Comgest funds are signatories to the European Transparency Code. The reports are available on our website.
UK Stewardship Code	Comgest is a signatory to the UK Stewardship Code.

IV. CONFLICTS OF INTEREST

During the review period, Comgest encountered **5** situations deemed to represent potential conflicts of interest with respect to the exercise of its voting rights.

Where Comgest's open-ended public funds were invested in other funds which are part of Comgest's range, Comgest decided not to exercise its voting rights at 4 general meetings relating to these funds.

We were also faced with a potential conflict due to a link between an independent board member of Comgest's Board of Partners and a company that we hold in our portfolio. This independent Board member is also the President of the Remuneration Committee of an investee company. We did not deviate from our voting policy in this case, in fact we voted against the remuneration of its CEO, explaining our decision.

V. DECISIONS TAKEN IN TERMS OF INVESTMENT STRATEGY AND SECTOR DIVESTMENT

We are a bottom-up stock-picker, therefore we don't have a sector approach and don't divest from sectors as a whole. However, because of Comgest's investment philosophy and process, it has been observed for many years that companies involved in areas such as banking, energy, materials, mining, utilities, defence, civilian firearms, tobacco and airlines industries are usually absent from or significantly underweight in our portfolios. As a consequence, our funds have carbon footprints which are generally significantly lower than the carbon footprints of their respective comparative indices.

Furthermore, Comgest has always encouraged the dual use of engagement and exclusion.

We reinforced our exclusion policy in 2021 regarding conventional weapons, severe violations of the UN Global Compact and Tobacco.

Engagement is at the heart of our investment approach. Comgest typically engages with companies with lower ESG quality where we think a positive change is likely to occur, i.e. when the targeted company is ready to hear our message encouraging it to make improvements on material ESG issues.

More information can be found in our Responsible Investment Policy.

IMPORTANT INFORMATION

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