COMGEST

The Quality Growth Investor

COMGEST PLUS FUNDS EXCLUSION POLICY

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A. INTRODUCTION

As a long-term quality investor, we invest and partner with companies that we believe can sustain investment returns over the long term. Environmental, Social and Governance ("ESG") factors are important drivers of investment returns from both an opportunity and a risk mitigation perspective. Further, we are convinced that value creation is enhanced when companies deliver social utility while limiting their negative impacts on the environment and people. These investment beliefs lead us to integrate ESG considerations throughout our investment decision making process and carry out targeted active ownership activities with investee companies on material sustainability topics.

Our research and selection process makes it unlikely that companies with substantial ESG risks will satisfy the required standards of quality, visibility, and sustainability that we seek in quality growth companies. As a result, companies with substantial ESG risks, operating in sectors such as fossil fuels extraction, tobacco, and armaments, tend to be naturally avoided during our investment selection. Our investment style also typically results in selecting companies with good ESG credentials.

The Comgest "Plus" strategies adopt the same long-term quality growth investment philosophy as our flagship strategies, whilst specially adhering to the requirements of a selection of leading ESG/Socially Responsible Investment ("SRI") labels. ESG/SRI labels provide external assurance to investors who seek industry-recognised accreditation of ESG approaches and require targeted exclusion criteria as well as specific ESG practices.

B. SCOPE

This policy applies to Comgest's "Plus" Strategies ("Comgest Plus Funds").

C. STRATEGY

As described in the Comgest Group Responsible Investment Policy[1] (the "Responsible Investment Policy"), Comgest has developed and applies a three-pronged responsible investment strategy: Integration, Active Ownership, Partnership. This strategy fully applies to Comgest's Plus Funds.

1. Integration

(a) Comgest group level responsible investment integration process

The overall responsible investment integration process described in the Responsible Investment policy applies to the Comgest Plus Funds, notably regarding the integration of sustainability risks and consideration of Principal Adverse Impacts ("PAIs").

(b) Further details on key ESG issues applicable to the Comgest Plus Funds

(i) Biodiversity

As mentioned in the Responsible Investment Policy, we assess biodiversity risks and impacts of our investments by prioritising sectors, geographies, and topics where these risks and impacts are the most severe. Where biodiversity risk is identified as material to the companies in which we invest, it is further explored as part of our ESG assessment. Companies assessed as having higher biodiversity risks and impacts may be prioritised for engagement.

Deforestation and natural ecosystem conversion is one of the topics we consider. Indeed, both deforestation and ecosystem conversion have been proven to represent important drivers of global warming, biodiversity loss and severe human rights violations of indigenous peoples and local communities. With Comgest's long-term investment horizon, these environmental and human rights issues may have material impacts on the companies in which we invest. Further details regarding our approach to deforestation can be found in our Deforestation Policy (Appendix III of the Responsible Investment Policy).

[1] https://www.comgest.com/-/media/comgest/esg-library/esg-en/responsible-investment-policy.pdf

In addition to deforestation, the Comgest Plus Funds also consider topics such as overfishing and land grabbing and sectors such as mining, agriculture, forestry, and fishing, as far as relevant to the Plus Funds' portfolios.

(ii) Water use

Water is one of the most precious resources on our planet. Lack of water and poor water quality can present material risks. As long-term investors, we assess a company's water strategy when the business has highly intensive water needs. Where relevant, this analysis focuses on water usage and water quality particularly where related to material aspects of a company's own operations or supply chain activities. Metrics such as a company's water consumption or emissions to water may be used to further assess water practices.

When water is identified as a material topic, we look to see measures in place to reduce water consumption, recycle and/or re-use water. We also generally expect companies to set water consumption reduction targets and to provide education to suppliers regarding water use. When companies have been identified as needing to improve on these expectations, they may be prioritised for engagement.

(iii) Pollution and waste

For companies operating in highly polluting and waste generating sectors, we would consider these factors as material and include them in our in-depth ESG analysis. Metrics such as recycling rates or environmental footprints may be used to further assess companies' pollution and waste management practices.

For companies operating in such sectors, we generally expect them to have established waste and pollution reduction targets, notably regarding single-used plastics, as well as recycling strategies. When companies have been identified as needing to improve on these expectations, they may be prioritised for engagement.

(iv) Diversity

The culture of a company and its board of directors can play a key role in the success or failure of the company. A poorly diversified workforce can create a herd mentality where the lack of variety among employees drives the corporate culture, and ultimately strategy, in a direction which ill-fits their environment. A diverse board composition assists in identifying risk, enriching debate, enhancing decision making on complex topics and building collective knowledge. Comgest does not restrict the concept of board diversity to gender diversity. It believes that a board should strive to be composed of directors with different backgrounds, skills, nationalities, ethnicities, ages, tenure etc. as relevant to the company's business strategy and objectives.

Companies can benefit from a diversified workforce and should create an inclusive environment where individuals can feel comfortable being their true selves and expressing their opinions. These important issues of diversity, equity and inclusion are considered as part of our ESG integration process. They may be identified as a material engagement topic with investee companies.

Diversity metrics, notably gender diversity metrics are monitored. On a best effort basis, the Plus Funds expect higher rate of board gender diversity than their respective comparative index or at least 33% of women on boards[2]. This diversity metric is measured ex-post and may lead to prioritisation of active ownership activities.

(v) Taxation

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

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[2] Weighted average of percentage of women on boards across companies held in the portfolio.

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

(vi) Oppressive regimes and death penalty

The Comgest Plus Funds, especially funds investing in emerging markets, may invest in state-owned companies ("SOEs"). These SOEs may be registered and operate in countries that can be considered as oppressive regimes, that may be under sanctions, and where death penalty may be used. In emerging markets, it is difficult to avoid these important issues.

Throughout our ESG analysis, we pay attention to the links between SOEs and the state. We assess the quality of their corporate governance and identify related ESG risks. The assessment of these issues may impact our overall ESG Quality Level[3].

In addition, we create a list of prohibited and sensitive countries, based on international sanction lists, high risk countries with strategic deficiencies in their anti-money laundering and countering terrorist financing regimes and non-cooperative jurisdictions for tax purposes. Investments in prohibited countries are strictly forbidden. Further details are available in our Group Exclusion Policy (Appendix V of the Responsible Investment Policy).

(vii) Forward contracts on agricultural commodities

Comgest does not invest in commodities and does not make use of financial instruments related to agricultural commodities.

(c) Sector-based exclusions

The present document details the exclusion criteria that applies to the Comgest Plus funds. Exclusions regarding **controversial weapons** and **tobacco** are applicable to all Comgest funds, including the Comgest Plus funds, and are detailed in the Comgest Group Exclusion Policy (Appendix V of the Responsible Investment Policy).

(i) Conventional Weapons

The Comgest Plus Funds avoid investments in companies that generate more than 5% of their revenues with activities linked to manufacturing and/or distributing of conventional weapons and their tailor-made components, including support systems and services.
In the sole case of civilian firearms, Comgest does not apply any revenue threshold (i.e., the revenue threshold is 0%). All companies involved in the manufacturing or in the retail of civilian firearms are excluded.

Further details on how Comgest defines conventional weapons is included in the Comgest Group Exclusion Policy (Appendix V of the Responsible Investment Policy).

(ii) Thermal Coal

Coal mining
The Comgest Plus Funds avoid investments in all companies operating thermal coal mines. This includes companies developing new coal mines or extending existing coal mines[4].

Coal processing and servicing
The Comgest Plus Funds avoid investments in companies which generate more than 10% of their revenues with activities linked to coal processing and servicing (including transportation, logistics, equipment manufacturing, etc.). They also avoid investments in companies involved in the development or expansion of coal transportation assets or other coal-related infrastructure such as coal-to-gas facilities[5].

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[3] See Comgest Group Responsible Investment Policy.

[4] Expansion criteria used are those defined in Urgewald's Global Coal Exit List.

[5] Expansion and development criteria used are those defined in Urgewald's Global Coal Exit List.

Coal-base power generation
The Comgest Plus Funds avoid investments in companies which derive any of their revenue from coal-based power generation or have any installed thermal coal capacity. This includes companies developing new coal-fired power plants[6].

(iii) Unconventional Oil & Gas

The Comgest Plus Funds avoid investments in companies which derive any of their revenue from unconventional oil & gas activities, including equipment and services. Unconventional extraction methods include fracking (shale gas, shale oil), artic drilling, deepwater drilling, coalbed methane, oil shale (kerogen-rich deposits), and oil sands.

The Comgest Plus Funds avoid investments in companies involved in exploration and/or the development of new unconventional oil & gas fields[7].

(iv) Conventional Oil & Gas

The Comgest Plus Funds not only exclude investment in unconventional oil & gas activities but also exclude investments in conventional oil & gas activities.

Upstream and midstream activities

The Comgest Plus Funds avoid investments in companies which derive any of their revenue from conventional oil & gas extraction and/or production. This includes avoiding investments in companies involved in exploration and/or the development of new oil & gas fields[8].

The Comgest Plus Funds also avoid investments in companies deriving any of their revenue from refining and/or trading of oil & gas, as well as companies deriving revenue from oil & gas transportation, pipelines, storage and equipment and services for the exploration and production of oil & gas.

Oil & gas-based power generation

The Comgest Plus Funds avoid investments in companies which derive any of their revenue from oil & gas-based power generation.

(v) Nuclear and Uranium mining

The Comgest Plus Funds avoid investments in companies involved in nuclear energy or in nuclear mining.

Uranium mining

The Comgest Plus Funds avoid investments in companies which derive more than 5% of their revenues from uranium mining.

Nuclear-based power generation

The Comgest Plus Funds avoid investments in companies:

- That derive more than 5% of their revenues from the ownership or the operation of nuclear power plants and/or from nuclear-based power generation;
- With installed capacity for nuclear power exceeding 5% of total power generation and/or generating more than 5% of power from nuclear power.

This exclusion extends to companies which derive more than 5% of their revenues from supplying nuclear-specific products or services to the nuclear power industry.

(d) Norm-based exclusions & screening

UN Global Compact and further international norms

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[6] Development criteria used are those defined in Urgewald's Global Coal Exit List.

[7] Exploration and development criteria used are those defined in Urgewald's Global Oil&Gas Exit List.

[8] Exploration and development criteria used are those included in Urgewald's Global Oil&Gas Exit List.

The Comgest Plus Funds invest in companies aligning with the ten principles of the UN Global Compact, covering human rights, labour rights, the environment as well as corruption and bribery. Companies involved in severe violations of the UN Global Compact are added to the Comgest Plus Funds exclusion list.

Further, the investee companies' alignment with the International Labour Organisation's Conventions, the UN Guiding Principles on Business and Human Rights, and the OECD Guidelines for Multinational Enterprises (as far as relevant) is monitored for the Comgest Plus Funds.

To identify severe violation of these norms, the Comgest Plus Funds use the MSCI ESG Controversies and Global Norms methodology. Companies with very severe and direct controversies, which are ongoing or partially concluded, in areas covered by these norms will be added to the Comgest Plus Funds exclusion list.

Controversy screening

Investee companies are monitored on an ongoing basis from an ESG perspective, notably to identify ESG events (including controversies) which could affect companies' ESG profiles. Further details on this ongoing monitoring, including controversy screening is described in the Responsible Investment Policy.

Specific details on management of controversies linked to Human Rights are included in our Human Rights Policy (Appendix IV of the Responsible Investment Policy).

(e) Implementation of exclusions

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

To help implement its exclusion policies, Comgest primarily uses data provided by MSCI ESG Research, and where applicable data included in Urgewald's Global Coal Exit List (regarding exclusions on Coal) Global Oil and Gas Exit List (regarding exclusions on Conventional Oil & Gas and Unconventional Oil & Gas). Comgest may supplement this with data from other external providers and with its own research on the companies and their activities, for example, where Comgest finds that data used by the external service provider is not up to date or where Comgest through its in-depth and qualitative research does not agree with the assessment provided by the external data provider.

Any exemptions to the exclusion list are reviewed and approved on a semi-annual basis by the Sustainability Committee.

2. Active ownership

The Comgest Group Active Ownership Policy sets out the engagement and voting approaches applied to the Comgest Plus Funds.

3. Partnership

Further detail on Comgest's approach to working with clients on sustainability matters, joining responsible investment initiatives and communicating transparently on its ESG practices, is available in the Responsible Investment Policy.

A full list of responsible investment initiatives Comgest supports is available on Comgest's website.

4. Climate targets and strategy

In addition to implementing Comgest's Climate Change Policy (Appendix II of the Responsible Investment Policy), the Comgest Plus Funds expect lower rate of GHG ("Greenhouse Gas") intensity, considering scopes 1, 2, and 3, than the comparative index of each respective fund. This carbon intensity metric is measured ex-post and may lead to prioritisation of active ownership activities.

D. OVERSIGHT

The Sustainability Committee[9] oversees the annual review and approval of this policy by the relevant entities and boards. The Committee also oversees the policy's implementation which is carried out by the investment teams together with dedicated ESG resources.

E. REPORTING

Reporting on the implementation of this policy is included in various documents produced by Comgest both at Group and Strategy levels. Further details regarding reporting on responsible investment activities are included in the Responsible Investment Policy.

[9] Further details on the Sustainability Committee can be found in the Comgest Group Responsible Investment Policy.