COMGEST

The Quality Growth Investor

ANNUAL STEWARDSHIP REPORT 2024

April 2025

CONTENT

MESSAGE FROM OUR CIO

Comgest is pleased to submit its Annual Stewardship Report for the period 1 January to 31 December 2024.

Comgest's commitment to active ownership is a key pillar of our responsible investment strategy. We are proud to be signatories of the UK Stewardship Code and support the Financial Reporting Council's work in promoting effective stewardship and governance. In this report, we demonstrate how we have applied the 12 Principles of the UK Stewardship Code throughout 2024. We highlight how we continue to integrate stewardship into our investment processes and develop our stewardship activities in line with our mission and investment philosophy.

We engage in responsible investment because we believe an investment approach that fully integrates environmental, social, and governance (ESG) considerations and active ownership activities enhances our financial performance and delivers multiple forms of value to our clients. As a long-term investor with a Quality Growth investment style, we look for companies that can deliver sustainable investment returns. We believe that the integration of ESG factors enables a better assessment of quality and believe that value creation is enhanced when companies deliver social utility, integrity and differentiation. ESG analysis is therefore integrated within our fundamental research on each company and throughout our investment decision-making process. As active investors, we strive to improve ESG practices through targeted company engagements and by voicing our concerns through voting. Importantly, our interests are focused on the long-term and aligned with our clients because of our broad employee partnership model.

Over the past year, we have witnessed a variety of developments to the ESG landscape, including the politicisation of ESG, an increased burden and complexity of regulation alongside a rise in litigation, and a growing industry-wide interest to focus efforts on aligning stewardship with fiduciary duty. In response, we have enhanced our oversight and processes throughout the year. Furthermore, we continue to update our responsible investment strategy and policy in line with clients' expectations, regulatory requirements, and what we have identified as the most material considerations to our investments. In 2024, we published our Policy on Nature and Deforestation. This policy – and the targets set within the policy – allow us to both prioritise our engagement resources on companies facing the most significant nature-related risks, and to assess the sustainability of their business models.

We remain committed to our responsible investment approach – effectively integrating ESG considerations and conducting targeted stewardship activities in order to deliver long-term value to our clients.

Franz Weis
Chief Investment Officer ("CIO") and Chair of Comgest's Sustainability Committee

INTRODUCTION

The Comgest Group[1] (Comgest) is an independent equity-focused asset manager with a quality growth investment philosophy that has guided our investment approach consistently for over three decades. Our aim is to deliver above-average risk-adjusted returns to our clients over time across global equity markets.

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

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

Catriona Marshall
Head of Sustainable Investment

"Engagement is not a one-off event. As long-term investors, we engage with companies over multi-year horizons and work in partnership as they try to adapt to a complex and changing sustainability landscape. Our engagement topics and priorities evolve in-line with issues we identify as material to the long-term success of a company."

[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, Brussels and Vienna.

PRINCIPLE 1

Signatories' purpose, investment beliefs, strategy and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society

OUR PURPOSE

Comgest's purpose has remained unchanged since the company was founded more than 35 years ago: to provide consistent, quality growth investment across global equity markets guided by a long-term, responsible and independent mindset, within the culture of our enduring partnership.

INVESTMENT BELIEFS

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

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

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

This philosophy is fully reflected in our investment decisions. We build concentrated portfolios of typically 25 to 50 stocks, with a high active share and without reference to a benchmark (meaning we consider risk in terms of absolute loss of capital rather than underperforming an index). We identify quality growth companies through years of fundamental research and engagement with their management, gaining deep insight into their business models, their culture and the social utility they generate. The relationships we build with investee companies in this way are further consolidated by the fact that we are long-term shareholders – our average holding period is 3 to 5+ years.

Comgest has always integrated both qualitative and quantitative non-financial factors in its research and many of the criteria we use to assess company quality are related to ESG issues, as shown in *Figure 1*.

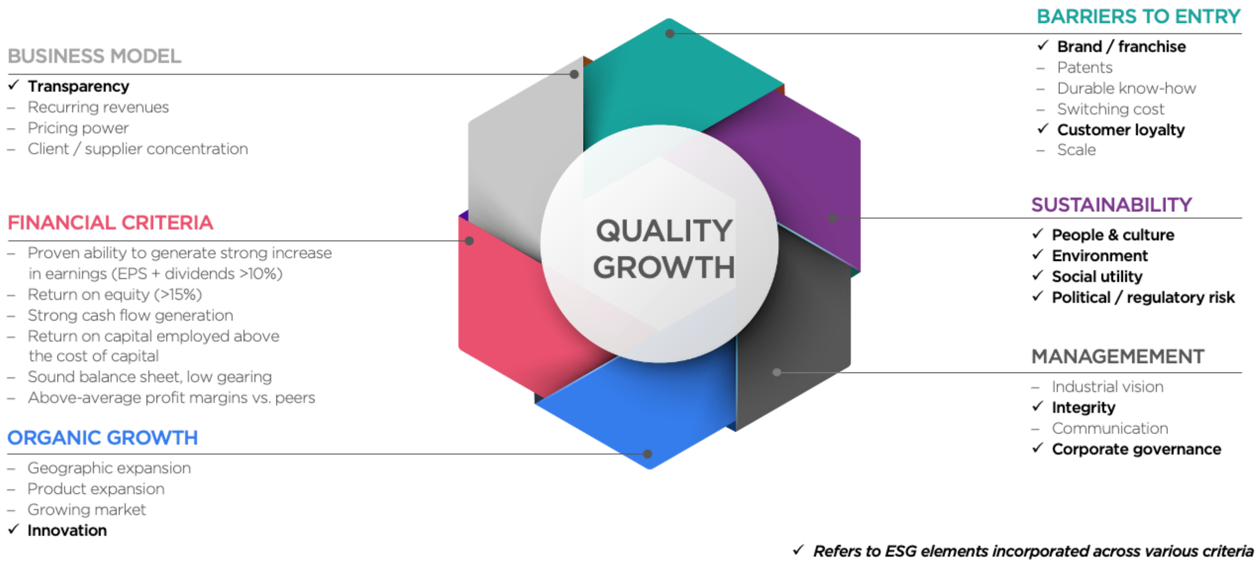
OUR CULTURE

Comgest's business model supports our investment beliefs. Our objective is to maintain a quality product offering, consistently adhering to our strategy of investing in quality growth companies with a long-term investment approach. We regard our independent ownership structure as a key advantage in implementing an unbiased and effective engagement and advocacy strategy.

Comgest's founders envisioned an entrepreneurial organisational structure, where as a group of co-owners, everyone would feel encouraged to participate freely in debate. Our broad partnership structure was established from their belief that employees should have a stake in the company's success and serves as a powerful testament to our commitment to equity. Comgest has always been 100% owned by employees and founders. Today, there are over 200 employees at Comgest, of whom just over 180 are employee-shareholders, investing their own assets to build a stake in the company. Currently, all Investment team members with over five years of tenure are shareholders.

Comgest's flat structure and commitment to transparency encourage our partners to get involved and make their voices heard. Importantly, this principle is what guides us in making thoughtful investment decisions.

Figure 1. Comgest's Quality Growth Selection Criteria



Our values – Partnership, Courage and Quality – have enabled us to foster a strong and unique culture that guides our quality growth investment approach and high conviction, consensus-driven investment decision-making.

- **Partnership**: Our attitude is that of a partnership. We think and act like an owner, sharing responsibilities, risks and rewards. The long-term contribution of Comgest employees to the company is reflected by a gradual increase in share ownership that requires patience and commitment.
- **Courage**: We dare to be different. Comgest's founders designed our partnership as a workplace where people have sufficient space and freedom to express themselves. We take educated risks in the interests of our clients, but balance these with experience and responsibility. It is about having courage in our convictions.
- **Quality**: Our belief is that positive results are achieved by consistently applying our quality growth investment philosophy. We assign greater value to maintaining product quality than to increasing assets under management. Environmental, social and governance criteria is built in, not bolted on.

This partnership structure that underpins the strategy and culture of Comgest serves as a guiding force in the stewardship of our clients' and our own capital.

It encourages us to think **long term**: we commit our own capital for many years, and this is aligned with the way we invest on behalf of our clients. We are prepared to spend the time necessary on thorough research to identify what we consider to be exceptional companies and to maintain our investments in them patiently to benefit from compound growth.

It means that we have **skin in the game**: because we are long-term owners of Comgest, we have a strong incentive to be responsible owners of our portfolio holdings. We are acutely aware of ESG risks that – if they materialise – could destroy value for our clients and consider it our responsibility to engage with investee companies on any issues that we think could be prejudicial to their future sustainability.

OUR STRATEGY

Comgest is committed to its time-tested strategy of selecting quality growth companies that we believe will prosper sustainably over time. Our **long-term investment horizon**, incentivised by Comgest's broad partnership structure enables us to engage with companies over the long-term, striving for continual improvement. We seek to deliver value to our clients by utilising time-horizon arbitrage, looking beyond the short-term market "noise" to identify drivers of long-term performance. We look to constantly improve and sharpen our stock selection process as well as the depth and breadth of our research. We believe that our strategy is best achieved with a team-based approach to investment decision-making, and we aim to maintain efficient and highly motivated operational and client servicing teams.

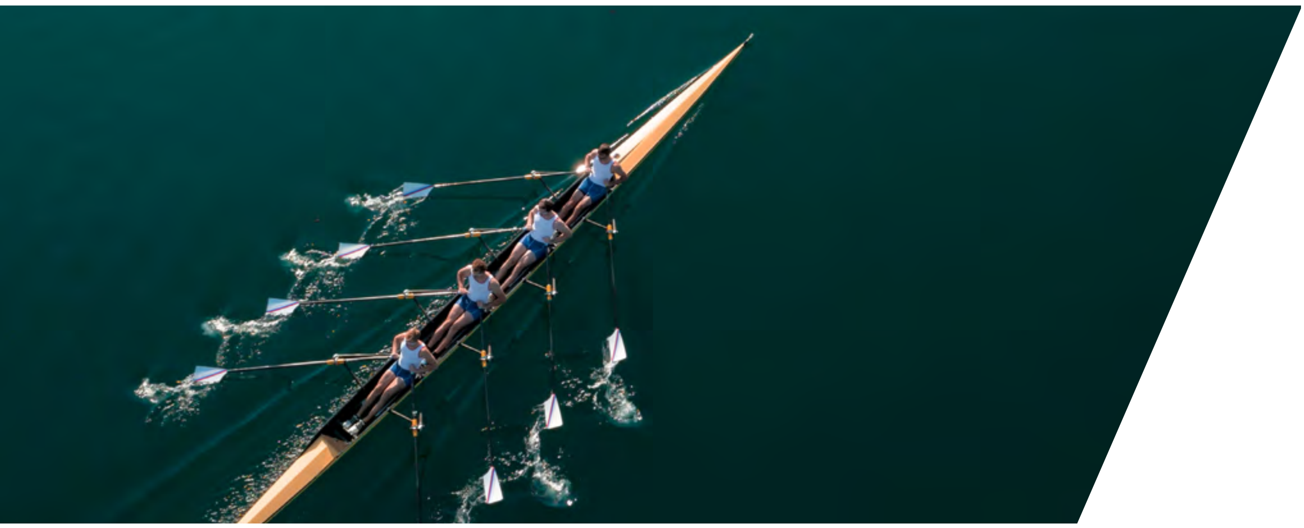
We are highly conscious of the trust that has been placed in our firm when clients invest with us. As employee-owners, we share our clients' risks as well as their rewards. As our client base evolves, we seek to ensure that our investors share our values and that they understand the long-term nature of our investment philosophy.

CREATING LONG-TERM VALUE FOR CLIENTS

We endeavour to serve the best interests of our clients by:

- Offering a single investment philosophy that is clearly expressed to and understood by our clients, and continually improving our capabilities to implement that philosophy;
- Interacting regularly with our clients to understand their expectations and to jointly evolve our thinking about investment, stewardship and ESG practices;
- Making enhancements to our products and product range in order to tailor our offering to evolving client needs;
- Ensuring we continually meet our clients' evolving information needs through client communications and reporting.

We seek to deliver attractive long-term performance through our stock selection. Clients who choose to work with us can be confident that we will not dilute our investment approach nor embark on asset gathering beyond our implementation capabilities. We can adapt to bespoke needs where solutions are in line with our approach. To this end, we have created new investment vehicles, tailored segregated mandates and multiple new forms of investment reporting in response to client demands.



PRINCIPLE 2

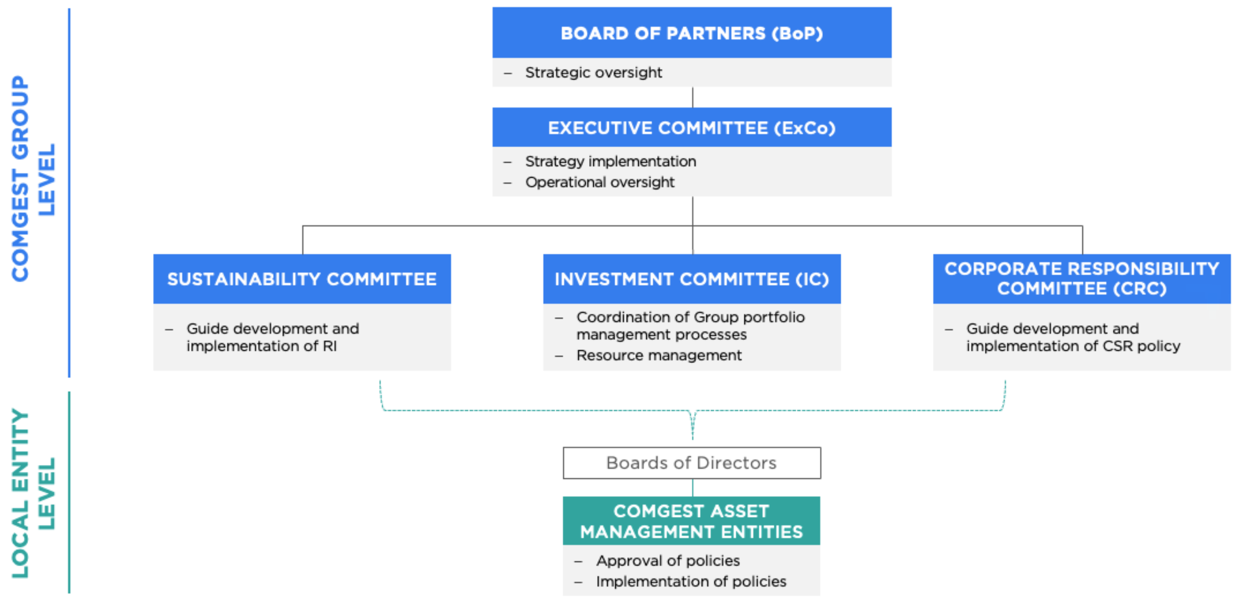
Signatories' governance, resources and incentives support stewardship

Comgest is an independent group owned by its employees and founders. This ownership structure is central to our approach to stewardship: as an independent asset manager, we are free to implement our investment philosophy without the pressure to respond to short-term market movements; we are also free to decline to work with clients who do not share our beliefs and whose interests may therefore not best be served by working with us.

OUR GOVERNANCE

The governance structure of Comgest Global Investors, S.A.S, the Group holding company (shown in *Figure* 2), includes the following governance bodies which support our responsible investment strategy, stewardship activities and our corporate responsibility strategy: the Board of Partners, Executive Committee, Investment Committee, Sustainability Committee and Corporate Responsibility Committee.

Figure 2. Comgest Group Governance Structure



- The **Board of Partners** of Comgest Global Investors, S.A.S. serves as the strategic oversight body for the Group.
- The **Executive Committee** brings together the investment and operational sides of the business to ensure that strategic initiatives meet client and regulatory concerns and that the operational support is provided to manage risks and deliver on opportunities.
- The **Sustainability Committee** is chaired by Comgest's CIO and maintains high-level oversight of all responsible investment-related activities and serves to assist the broader Comgest partnership and the Boards of the Group entities in the application of the Group's Responsible Investment strategy.
- The **Investment Committee** is chaired by Comgest's CIO and is responsible for overseeing portfolio management processes across the Group entities, including ESG integration.
- The **Corporate Responsibility Committee** is chaired by Comgest's CEO and maintains oversight of and contributes to the definition and implementation of the Group Corporate Responsibility Strategy.
- While the Group level governance helps to ensure a common strategy and approach, the **asset management entities of the Comgest Group** are responsible for approving and implementing the policies in the day-to-day activities.

Comgest's Sustainability Committee

Chaired by Comgest's CIO, the Sustainability Committee members represent a wide variety of teams including the Investment team, ESG, Compliance and Risk, Marketing, Investor Relations, and Operations.

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

- Assist in the further definition of the Group's Responsible Investment strategy (RI strategy)
- Ensure the RI strategy is adequately articulated in the Group's policies, operations, and disclosures
- Oversee the implementation of the RI strategy
- Address ad hoc sustainability matters that may be raised to the Committee

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

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

RESOURCING

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

We believe that our approach of integrating ESG responsibility within the Investment team has important benefits. Comgest's investment strategy is based on acquiring a deep and multidimensional understanding of our portfolio companies and building relationships with their management over many years. The Investment team members conduct ESG research as well as engagement activities and they are responsible for voting decisions. Our structure ensures that Investment team members who have the deepest understanding of our portfolio companies, and the context in which they operate, are able to bring that knowledge into our proprietary ESG analysis.

Investment team

Comgest's Investment team comprises 44 portfolio managers and analysts organised by geography, including seven dedicated ESG Analysts (*Figure* 3). With Comgest's singular, quality-focused and long-term approach to investing, we regard ESG credentials as an important component of the team's selection criteria.

Team members have an average of 15 years' industry experience. All members of the Investment team are considered key ESG resources as they are directly involved in ESG research as part of their fundamental analysis. They also conduct stewardship activities including responsibility for company voting and carrying out individual engagements, often together with a member of the ESG team.

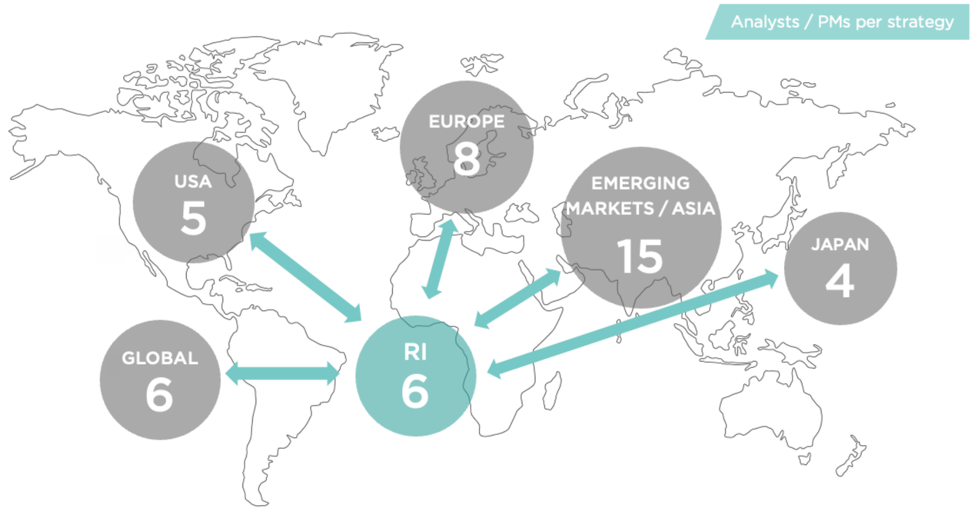
Given the broad resource of the Investment team and the fact that each portfolio is concentrated (25-50 stocks), significant time is allocated to the quality assessment of each investee company. Analysts typically cover 10-15 investee companies, allowing for a great depth of insight and engagement.

Figure 3. Comgest Investment Team

44
Analysts / Portfolio Managers

15
Average years' industry experience

15+
Nationalities within the Investment team



Updated as of 01-Jan-2025.

Dedicated ESG resources

The ESG team is responsible for the day-to-day implementation of the firm's ESG framework, at both corporate and portfolio-level.

Since the hiring of our first ESG Analyst more than a decade ago, Comgest's dedicated ESG resources have evolved considerably and as at the end of 2024 comprised ten members who fulfil two distinct functions: Responsible Investment and Responsible Development. Both functions report directly to the Head of Sustainable Investment.

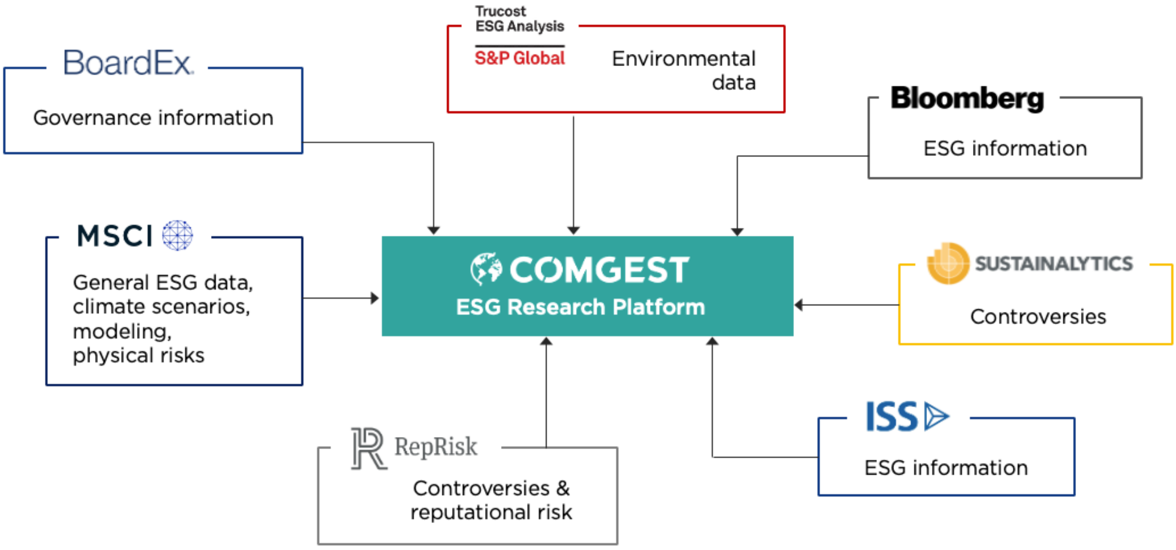
- The **Responsible Investment** function is carried out by experienced investment professionals, each focused on company coverage within specific geographic regions. Importantly, they are embedded within Comgest's Investment team, rather than operating as a siloed function. As an integrated part of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

Our ESG professionals have significant asset management and specialist ESG expertise, with an average of 15 years' industry experience. Their broad-ranging professional, cultural and educational backgrounds contribute to diversity of thinking and complementary skill sets. Biographies are available on our website, under ***"Our ESG Story"***.

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

In addition to our proprietary research, the ESG team draws on extra-financial information sources, such as companies' CSR reports, information and alerts from specialist providers, contacts with companies and their stakeholders, NGOs and media reports. *Figure 4* shows the external providers – selected for the quality of their information and their geographical coverage – that are used by the team.

Figure 4. External Data and Information Providers



Our relationship with and use of information from external data providers is further detailed in Principle 8.

TRAINING

Company-wide ESG related training

Comgest is committed to ongoing ESG training to ensure that we remain well equipped to respond to the dynamic regulatory and investment landscape and to the needs of our clients.

In 2024, Comgest continued its company-wide internal ESG training programme to ensure that the knowledge base across all employees evolves as necessary. Over the year, our training programme covered a broad range of topics including ESG basics, our approach to integrating nature and climate-related risks and opportunities in the investment process, our commitments and the evolving regulatory landscape.

ESG team training

The ESG team members keep their skills, knowledge and thinking up-to-date through their daily research as well as membership to industry initiatives. They will also regularly participate in external training (e.g., the IIGCC), industry events and working groups as well as targeted seminars (e.g., those run by the PRI, industry groups and ESG data providers).

DIVERSITY

Comgest's partnership model is a testament to our commitment to equity and fosters a sense of belonging that motivates us to work together, alongside our clients, towards common goals. It is our values –Partnership, Courage and Quality – that have enabled us to foster a strong culture that embraces diverse talents at Comgest.

We understand that diverse talents —where unique perspectives and experiences challenge the status quo— are better equipped to deliver strong performance over the long term. At Comgest, our team of 215+ employees represents over 30 nationalities, maintains a 50/50 gender balance[2] and reflects a diverse range of educational backgrounds.

Comgest's Our People working group, dedicated to Diversity, Equity & Inclusion (DEI), comprises eight members from various Comgest entities, is two thirds women and includes representatives from a range of functions across the firm, including the Investment team. The Our People working group is responsible for the development and implementation of our DEI policy at Comgest as well as managing DEI-related developments and initiatives. In 2024, the Our People working group established itself as a contributing group to Comgest's Corporate Responsibility Committee. The working group also revised Comgest's DEI Policy and conducted a review of both internal and external DEI initiatives Comgest is involved in.

[2] As of end of 2024

INCENTIVES

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

With this structure, employees who have been with Comgest for several years typically become partners of the firm, meaning they are personally invested in the share capital. Comgest employs a mix of short- and long-term employee incentives which are reflected in our bonus systems and equity ownership structure. Our underlying goal is for our incentive system to help drive long-term product performance and team stability.

For the Investment team

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

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

For Executive Committee members

All members of the Executive Committee are encouraged through their objectives and annual performance evaluation to properly implement the RI strategy.

Furthermore, award of variable compensation takes into consideration the successful achievement of RI-related objectives. These objectives encompass a range of responsibilities, including the oversight of the RI strategy's implementation, participation in RI-related training, and other relevant activities that demonstrate a commitment to advancing Comgest's RI strategy.

This alignment between remuneration and RI-related objectives reflects Comgest's dedication to embedding responsible investment practices within its governance structures, ensuring accountability and progress at the highest levels.

PRINCIPLE 3

Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first

As an independent Group (see Introduction) owned by our employees and founders, Comgest is not affiliated with any brokers, counterparties or custodians. Comgest Group entities do not actively trade for their own accounts with the exception of the Group holding company which may seed or invest in Comgest funds. This independence assists us in avoiding conflicts of interest and in carrying out Comgest's activities based on our long-term objectives and in the best interests of our clients.

Despite the foregoing, Comgest operates in an environment where it will face actual, potential or apparent conflicts of interest. We recognise that a framework for the identification, prevention or management of conflicts of interest is essential, and that a failure to identify and manage conflicts may lead to reputational and regulatory risk for the business.

Our Conflicts of Interest Policy is provided to our clients and is available upon request. The Comgest Group's policies and procedures have been designed to identify and properly disclose, mitigate, and/or eliminate applicable conflicts of interest. All employees are required to escalate potential or actual conflicts of interest to their local Compliance departments should they arise. The Compliance department is responsible for ensuring procedures are established to reduce the risk of occurrence and to manage any conflicts that do occur.

CONFLICTS OF INTEREST MAPPING

As part of the conflicts of interest framework, a conflicts of interest mapping is undertaken by the Compliance departments of the different Comgest regulated entities. The Mapping looks to anticipate potential conflicts that could impact the Group, entities within the Group and clients. The Conflicts Mapping takes into account any circumstances of which Comgest is aware which may give rise to a conflict of interest as a result of the Group structure and business activities. The Conflicts Mapping looks to:

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

CONFLICTS OF INTEREST LOG

When a potential conflict of interest is identified, a conflicts of interest assessment is undertaken. The assessment is conducted by Compliance and the relevant Board of Directors, where required. The Compliance departments maintain a Conflicts of Interest Log to document the assessment of, and response to the conflicts.

Areas of potential conflicts include:

- **Proxy voting**: Potential conflicts may arise in relation to the proxy voting process. We have put in place a number of actions to minimise such risks.
    - Votes are based on pre-determined Proxy Voting Rules and any deviations must be justified, thereby limiting the discretion of fund managers/advisors and analysts. Clients with segregated accounts may provide us with their own voting rules.
    - Comgest is an independent company, 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. For example, during 2024, where Comgest's open-ended public funds were invested in other funds which are part of Comgest's product range, Comgest decided not to exercise its voting rights at 5 general meetings relating to these funds.

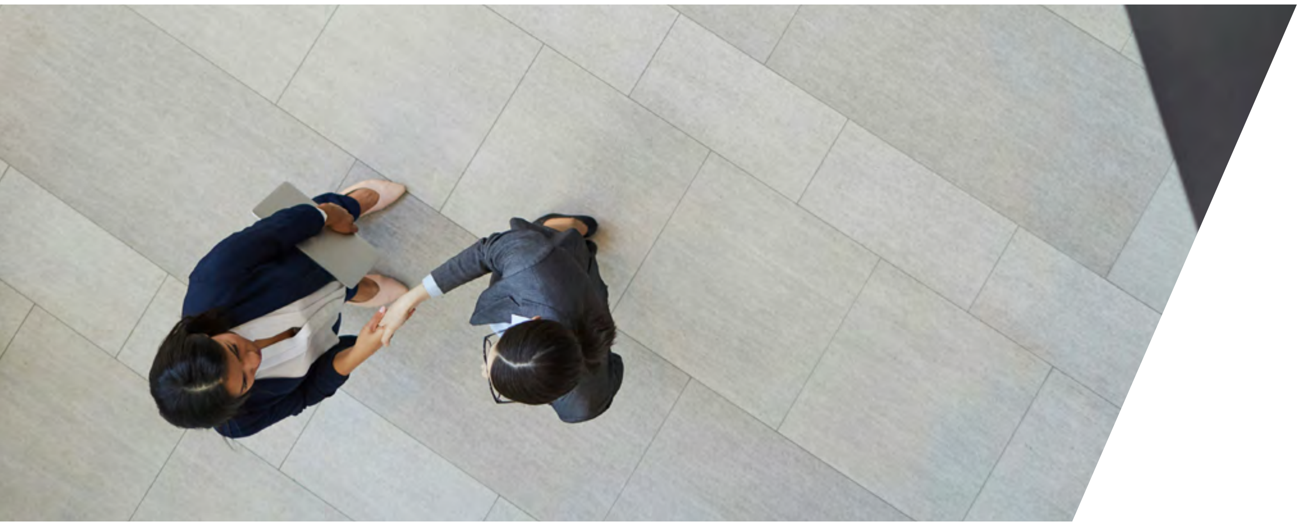
Read the ***Comgest Group Active Ownership Policy*** for further information.

- **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.
- **Sustainability risks and preferences**: Comgest assesses if in the course of providing investment services a conflict of interest could arise which may damage the interests of a client, including their sustainability preferences or misrepresentation of investment strategies. Conflicts which may arise as a result of the integration of sustainability risks in processes, systems and internal controls are assessed as part of our Conflicts of Interest Mapping.
- **Personal dealing**: Comgest's Compliance departments maintain personal dealing rules which require employees to declare all securities accounts and to obtain pre-approval for dealing in securities that are defined as 'reportable'. The Comgest Group prohibits employees from dealing in securities that are contained within the Comgest "Universe" of stocks (i.e. stocks that are eligible for investment in Comgest managed portfolios).
- **Outside business activities**: Comgest requires all employees to declare any outside business activities to Comgest's Compliance departments in order to ensure that such activities do not raise any potential conflicts of interest with our clients or activities of the Comgest Group entities. Employees may be prevented from engaging in an outside business activity where a conflict would arise.

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.



PRINCIPLE 4

Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system

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 our investee companies operate. We do this through our own research, and we look to bring awareness to these risks through engagement with our investee companies and through our support for industry-wide initiatives.

As highlighted under Principle 1, our mission at Comgest is "to provide consistent, quality growth investment across global equity markets, guided by a long-term, responsible and independent mindset - within the culture of our enduring partnership". It is therefore at the heart of our ambition as investors to encourage well-functioning financial markets which reward long-term investment and a keen awareness of financial and non-financial risks.

OUR RISK MANAGEMENT PROCESS

As part of an annual risk assessment, the Comgest Group entities perform risk mapping which enables them to identify, assess, rank, and take action on the risks inherent to the organisation, activities and products. It also allows Comgest to set its priorities, define a relevant compliance and internal control system, and allocate resources appropriately.

Risks are identified and assessed during discussions with business-line experts including the Investment and ESG teams, who are best placed to determine and assess the risks borne by the processes they use. Once identified, risks are classified into specific risk categories defined by Comgest. The mapping takes into account the identified risk, as well as any mitigating factors that would help to reduce this risk (e.g., procedures, controls and continuity plans).

Once a risk has been classified into a specific category, the business-line expert identifies potential risk events. Determining the causes of risks enables risk prevention levers to be identified and the appropriate controls, operating methodologies, etc. to be put in place.

This risk assessment method uses the following structure:

- Identification of risks in each department;
- Impact assessment;
- Review of risk mitigation and controls to be applied to the inherent risk;
- Determination of residual risk score;
- Drafting of action plans for further reduction of risk;
- Determination of whether capital needs to be allocated, to cover the eventuality of the risk producing a financial loss for the company; and
- Review by the relevant entity's Risk Committee and subsequent approval by the relevant entity's Board of Directors and submission to the Group level Risk Committee.

During the annual update, risks and risk categories are reviewed to determine whether any new risk categories or processes should be added or whether the application/rating of any existing risks has changed.

Since 2022, we have implemented a new risk category "Climate and ESG risks – transition" to our risk library to better capture the risks to the business, as it has to take on a number of new processes and practices to ensure that it manages Climate and ESG risks appropriately. This risk category looks to assess risks to the business resulting from failure to change and adapt to respond to Climate and other ESG issues and failure to respond to client and regulatory expectations in this regard.

We have considered the potential causes of this risk which we assess to be as follows:

- Failure to understand the impacts of Climate and other ESG issues on the business and to adapt processes and controls accordingly;
- Failure of management to appropriately prioritise and allocate resources to ensure that the business adapts to this change appropriately;
- Inability to manage client investment restrictions or objectives in relation to Climate or other ESG issues;
- Systems are not adapted in order to manage client restrictions or reporting requirements in relation to Climate or other ESG issues;
- Absence of data to meet client or regulatory reporting requirements in relation to Climate or other ESG issues; and
- Absence of staff knowledge or training.

This assessment allows us to design processes and controls to seek to avoid or reduce the likelihood of these risks arising.

RISKS INHERENT TO FINANCIAL MARKETS

We believe that there is a risk that benchmarks and indices can in some circumstances distort financial markets. The weight of individual index constituents may become detached from their fundamental value, while investors may be forced into short-term or "herd" behaviour in an attempt to track a stated benchmark. Comgest is an active, benchmark-agnostic investor, which we believe is consistent with our fiduciary duties and enables us to contribute to preserving the price discovery mechanisms that are essential to a well-functioning financial system.

MARKET-WIDE AND SYSTEMIC RISKS

Comgest is a fundamental investor with a bottom-up approach. Our research focus is at the company level, rather than commencing our research at the macro-economic level. Conducting thorough, on-the-ground research enables us to identify (emerging) risks that are affecting companies across our investment universe. This is especially true for systemic risks that are associated with ESG factors, which are specifically addressed in the research process (see *Figure 1*).

The collaborative nature of our Investment team means that areas of concern uncovered by one regional team will be shared with their colleagues in other regions. This knowledge sharing is particularly valuable when considering the risks affecting entire, globalised sectors of the economy. Our in-depth and comprehensive knowledge of our companies and the environment(s) in which they operate allow us to monitor and deepen our understanding of thematic risks.

Monitoring systemic and market-wide risks using specific ESG factors and key indicators is a necessary first step in our attempt to tackle critical matters like climate change, biodiversity loss and human rights violations. We appreciate that a broad view and nuanced understanding of a company's operating environment is mandatory to properly assess sustainability risks that could lead to future, unprecedented global disruptions. Our research and risk monitoring process therefore places great emphasis on assessing "outside-in" risks (external factors affecting well-functioning businesses and global markets) as well as "inside-out" material impacts caused by our investments to environmental, social or global economic factors (using Principal Adverse Impacts for the latter).

CASE STUDY

INTERNAL QUARTERLY NEWSLETTER

In 2024, the ESG team launched *ESG INSIGHTS*, a quarterly internal newsletter that highlights key regulation and litigation trends, as well as ongoing controversies shaping the dynamic ESG landscape.

This newsletter serves as a knowledge-sharing tool, leveraging the in-depth research and analysis conducted by our ESG team, who actively track these developments to enhance the proprietary research underpinning investment decisions. By providing timely insights, this newsletter supports our Responsible Investment strategy and stewardship activities.

Investing with a long-term perspective requires skilful navigation of regulatory shifts, corporate controversies, and litigation risks that may affect our investee companies. By sharing this expertise across the firm, we aim to strengthen our ability to anticipate future challenges, engage proactively with investee companies, assess risk exposure, and identify opportunities.

CLIMATE CHANGE

Assessing climate-related risks

Rising temperatures have already led to irreversible impacts across ecosystems (i.e., terrestrial, freshwater, ocean) and human systems (i.e., water scarcity and food production, health and well-being, cities, settlements and infrastructure) worldwide. Every incremental aspect of global warming will increase the frequency and intensity of weather events and will translate into additional severe risks for businesses, people and nature. At the same time, curbing global greenhouse gas emissions will imply a far-reaching transition across all sectors, translating into both transition risks and opportunities for companies. As long-term quality growth investors, we believe that understanding our investee companies' climate-related risks and opportunities and engaging with them on material climate issues strengthens our research and investment process to deliver value to our clients.

Material climate-related risks and opportunities are integrated into our analysis of companies and into our investment decision-making process. Our Company Analysts and ESG Analysts, who are regularly trained on climate-related topics, are responsible for identifying and assessing these material climate issues.

As part of our company research, we use the ***Task Force on Climate-related Financial Disclosures*** (TCFD) framework to assess the transition risks and opportunities as well as the physical risks for all the companies in our main investment strategies. This company-level climate analysis is based on fundamental ESG research as well as third-party data. We use external data, including MSCI's Climate Value-at-Risk (Climate VaR), on TCFD's recommendation. Climate VaR is a forward-looking, return-based methodology that assesses both transition and physical risks. It can be negative (cost) or positive (gain) and the horizon is "the next 15 years". Transition risk assessments include both policy risks and technology opportunities.

Comgest also measures the carbon footprint of our portfolios and mainly uses a Carbon to Value metric. Using MSCI data, the metric allows us to estimate scope 1, 2 and 3 greenhouse gas emissions (GHGs) of a given portfolio's holdings per million of portfolio currency invested, with the enterprise value including cash as the attributing factor. By calculating carbon footprints, we can identify: (i) which companies emit the most GHGs in absolute terms; (ii) whether portfolio companies emit higher levels of GHGs than others in the same sector; and (iii) which companies fail to provide data on GHGs. Once identified, these companies can then be prioritised for engagement.

Furthermore, Comgest uses forward-looking metrics to assess the climate alignment of our main strategies and investee companies, such as:

- MSCI's ***Implied Temperature Rise*** (ITR) metric. The ITR, expressed in degrees Celsius, is designed to show the temperature alignment of companies and portfolios with global temperature goals.
- The ***Science-Based Target initiative*** (SBTi) coverage rate of portfolios tracks the percentage of companies that have committed to setting science-based targets (SBT) and companies having approved SBTs by the SBTi.
- The Net Zero Investment Framework (NZIF) coverage rate of portfolios tracks the percentage of companies classified as "aligned", "aligning", "committed to aligning" and "not aligned".

To provide transparency to our clients, we include climate data in our monthly fund fact sheets, available on our regional websites, and give additional, detailed information on our climate action in our Annual Sustainability Report and Quarterly Responsible Investment reports. This includes sharing updates on our progress against our Net Zero Asset Managers (NZAM) initiative targets which apply to 100% of our listed equity AUM.

Climate-focused internal research

When material climate risks are identified, we carry out climate-focused internal research. For instance, in 2024, our Investment team, supported by our ESG Analysts, ran an analysis of climate-related risks and opportunities faced by two European industrial gases leaders: Linde and Air Liquide. These two companies were identified as top contributors to our European strategies' Climate VaR, especially considering aggregated transition risks.

Both companies have business operations tied to energy-intensive processes, while needing to navigate the intensification of their clients' efforts to address climate change.

Curbing energy-intensity: assessing companies' decarbonisation trajectories

As one might expect, energy-intensive business operations represent the most material ESG risk that industrial gas companies face. Thus, analysing the companies' action plan and investment roadmap to improve energy efficiency is fully embedded in our investment thesis. In practice, this means assessing both players' current operational emissions versus financial metrics (such as sales and EBITA), confronting decarbonisation targets with investment plans and trends of past reported emissions, as well as tracking electrification rates and access to renewable energy across the geographies these companies operate in. Our ESG Analysts and Company Analysts covering the stock have defined a wide range of metrics to assess these issues and have been monitoring these KPIs for both companies. Monitoring these metrics helps analysts identify where one company lags behind its peer and facilitates the development of targeted engagement questions.

Analysing companies' resilience, credibility of transition plans and communication approaches also forms part of our review. For instance, climate governance is a significant feature of our assessment, with dedicated indicators such as board expertise on climate or incentive mechanisms linked to achieving climate targets. Furthermore, reviewing how companies communicate on their climate ambitions and roadmaps provides insight into how climate transition issues are embedded in each player's company culture and wider corporate strategy. We notably check if memberships in trade associations misalign with public commitments, how bullish climate claims are and if we can detect a risk of greenwashing. Finally, each company's levers to address decarbonisation of operational emissions is analysed and compared, including how much of scope 1 reduction efforts are tied to Carbon Capture, Use and Storage (CCUS) technology deployments, and how companies plan to electrify their energy demand, and how they plan to secure renewable energy purchases to manage scope 2 emissions.

Navigating the climate transition: assessing how companies mitigate transition risks and leverage opportunities linked to clients' intensifying climate ambitions

Air Liquide's and Linde's customers are facing regulatory and financial pressure, notably via carbon tax schemes, to reduce their environmental footprints. How well these players are placed to provide climate solutions and avoid emissions for their downstream supply chain is key to their business development and feeds into the growth estimates of our investment thesis. Metrics our ESG Analysts and Company Analysts consider include Research & Development spending on innovation in low-carbon solutions, share (%) of "green" and EU-taxonomy aligned capex, as well as revenue trends linked to these climate solutions. For instance, our analysis focuses on how these companies are positioned to capture growing demand for green hydrogen, looking into production capacity as well as distribution abilities considering companies' positioning on Europe's hydrogen pipeline network.

Mitigating climate-related risks

Companies assessed with having the highest climate-related risks are prioritised for individual and/or collective engagement. Our dialogue with companies allows us to (1) better understand how climate-related risks are managed, and (2) assess the various mitigation actions that companies have implemented or plan to implement. Our analysts may also request that companies implement further risk mitigation actions and track companies' progress on these recommendations. If we deem that climate-related risks are continually not being appropriately managed, we would consider that the company no longer meets our quality growth standards and would divest the holding.

Additionally, our Group-wide exclusion criteria on thermal coal mining and coal-fired power generation allows us to manage portfolios with significantly lower climate risks than comparative indices. In 2024, we updated our exclusion threshold relating to coal-fired power generation to exclude utilities with electricity production or revenue based on coal equal to or exceeding 10%, down from 20%.

CASE STUDY

SETTING ASSET LEVEL TARGETS USING THE NET ZERO INVESTMENT FRAMEWORK

Sharing knowledge and collaborating with peers and industry initiatives is an important part of our climate strategy. In 2024, we were delighted to contribute to several case studies which detail our climate target setting journey using the Net Zero Investment Framework (NZIF). The case study is featured in the following publications:

The Institutional Investors Group on Climate Change (IIGCC) ***NZIF 2.0: Implementation Guidance for Objectives and Targets***; Glasgow Financial Alliance for Net Zero (GFANZ) ***Case Studies on Transition Finance and Decarbonization Contribution Methodologies***, and MSCI Sustainability Institute ***Net Zero Tracker***.

ASSESSING NATURE-RELATED RISKS AS PART OF COMGEST'S INVESTMENT PROCESS

Policy on nature and deforestation

In 2023, Comgest published a Deforestation Policy, which was expanded in 2024 to address broader nature-related risks. This policy outlines how risks are assessed and describes Comgest's engagement approach on these issues.

Nature-related risks and opportunities are evaluated as part of Comgest's ESG integration process. This includes:

- Incorporating nature-related metrics in our ESG Assessment
- Using third-party data to identify controversies related to biodiversity impacts.
- Conducting assessments of companies' operational and supply chain impacts on nature.

High-risk companies undergo an in-depth assessment to evaluate:

- The extent of their impact or dependency on nature.
- Mitigation measures they have put in place (e.g., restoration, supplier education).
- Their targets and the timelines they have set for reducing adverse impacts.

If no mitigation measures are in place, high risk companies will be prioritised for engagement.

Development of an internal assessment methodology

Comgest developed an internal assessment methodology to measure the impact and dependency of our investee companies on nature and developed a classification system (very high, high, medium, low and very low) using data from ENCORE[4] for dependency and data from SBTN[5] for impact assessment. These additional metrics assist our Company Analysts and ESG Analysts to better assess our investee companies' impact and dependency on biodiversity.

Mitigating nature-related risks through active ownership

Following our assessment, Comgest launched in 2024 a five-year engagement programme to engage with high-risk companies.

These companies are prioritised for individual and/or collective engagement. Our dialogue with the companies will allow us to (1) better understand how nature-related risks are managed, and (2) assess the various mitigation actions the companies have implemented or plan to implement.

[4] Exploring Natural Capital Opportunities, Risks and Exposure
[5] Science Based Targets Network

CASE STUDY

ENGAGEMENT ON TRANSITION RISK RELATED TO THE NEW EUROPEAN UNION DEFORESTATION REGULATION (EUDR)

As part of our ongoing efforts to identify and mitigate nature-related risks, we conducted an analysis of companies impacted by the EU's new deforestation regulation (EUDR). Initially set to take effect at the end of 2024, the regulation has now been postponed to end of 2025. It introduces mandatory due diligence requirements for companies placing, making available, or exporting products associated with the following commodities to or from the EU market: palm oil, cattle, wood, coffee, cocoa, rubber, and soy.

By the end of 2025, companies subject to the regulation will need to meet three key conditions before their products can enter the EU market:

1. A deforestation-free cut-off date of 2020
2. Compliance with local legislation
3. Submission of a due diligence declaration, including verification

Identifying companies within the scope of this regulation is critical to assessing the measures they have implemented to ensure compliance and to evaluate how they are managing the associated transition risks. We engaged with several investee companies potentially in scope of this regulation. In examining the transition risks linked to deforestation and the implications of the EU DR, our engagement with investee companies has revealed two distinct scenarios based on their readiness and exposure:

Companies with high preparedness (primarily European companies)

Investee companies, particularly those generating a significant proportion of their revenue from marketing their products in Europe, appear to be the most prepared. These firms are actively adjusting their supply chains, implementing traceability systems, and aligning with regulatory requirements to mitigate transition risks.

Examples of actions taken:

- **Jeronimo Martins**: The company has taken proactive steps to comply with the new regulation by investing in systems for data collection and verification. It is evaluating satellite image providers and engaging with national authorities to ensure alignment with expectations.
- **Bakkafrost**: The company confirmed that all soy used in its fish feed is ProTerra-certified, ensuring it is not sourced from deforested areas. Notably, Bakkafrost has been sourcing ProTerra-certified soy for years, well before EU DR was introduced, demonstrating its long-standing commitment to sustainable sourcing. This is particularly significant given that soy plays a major role in its operations: Soy Protein Concentrate (SPC) accounts for 9% of Bakkafrost's Scope 3 emissions and it makes up 15% of the company's fish feed composition.
- **Nike**: The company is working to enhance supply chain traceability, mapping beyond Tier 1 suppliers to include Tier 2 suppliers and distribution centres. Nike has increased documentation requirements for suppliers to better assess ESG risks in its supply chain. Although the company does not yet have a formal deforestation strategy or commitment, it recently completed a materiality assessment on deforestation risks. Nike indicated that deforestation-related targets may be incorporated into its new sustainability goals for 2025-2030, expected to be released in the coming months. We have provided Nike with feedback and recommendations on structuring a deforestation commitment, following up on our initial engagement in May 2024.[6]

[6] Note that Comgest exited our position in Nike before the end of the year 2024.

CASE STUDY

ENGAGEMENT ON TRANSITION RISK RELATED TO THE NEW EUROPEAN UNION DEFORESTATION REGULATION (EUDR) (CONT'D)

Companies with varied levels of preparedness (primarily non-European companies)

In contrast, some investee companies, particularly those outside Europe with partial revenue exposure to the regulation, are at earlier stages of readiness. Investee companies in the US and other regions are still navigating the regulatory requirements, with progress varying significantly.

Common challenges for these companies include limited visibility into supply chains and a lack of robust mechanisms to track deforestation risks. Our engagements have focused on raising awareness, sharing best practices, and encouraging steps to improve compliance.

Engagement example:

- **Amazon**: The company is still assessing what is required to meet the EUDR standards. Currently, it relies on the cut-off dates embedded in certifications for different commodities but is evaluating additional traceability mechanisms or initiatives as needed.

By identifying these readiness differences, we are tailoring our engagement strategies to support companies in effectively managing transition risks associated with deforestation.

ADVOCACY

As mentioned above, delivering our active quality growth investment approach entails the identification of market-wide and systemic risks affecting the commercial and financial landscape in which companies operate. We do this through our own research and engagement and through our support for industry-wide initiatives.

Our advocacy work may target industry participants such as regulators, policymakers, governments and a broad range of financial industry stakeholders (e.g. our peers, industry bodies, asset owners, SRI label providers, consultants, etc.). 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). Further examples of policy and or systemic-related collaborative engagements Comgest participated in throughout 2024 include:

- **FRC UK Stewardship Code workshop**: In March, Comgest took part in a workshop with other asset managers hosted by the FRC in their London offices in the context of their on-going review of the UK Stewardship Code. The UK stewardship Code has served as a leading framework for setting expectations and accountability on investors' stewardship activities.
- **AFG consultation**: Comgest participated in the preparation of the answers of the *Association Française de Gestion (AFG)* to a public consultation on the proposals to change the rules around governance and differentiated voting rights for newly listed companies in France. This consultation was conducted in the context of a reversal of shareholders rights across Europe (including the UK) to address the decreasing number of IPOs on European Marketplaces.
- **AFG Working Group on Biodiversity**: The AFG launched a working group focused on biodiversity. The working group is comprised of several French asset managers, including Comgest. By the end of 2024, the working group achieved its goal to establish ***a practical guide*** to assist asset management companies in developing biodiversity-related policies.
- **Share Action**: Comgest was invited by Share Action to brainstorm and provide feedback on a selection of their workstreams around the links between sustainability and fiduciary duties, as well as on the role of escalation in stewardship activities.

ADHERENCE TO INTERNATIONAL STANDARDS AND SUPPORT FOR INITIATIVES

In addition to acting on the findings of our own research, we support several industry-wide initiatives that help us 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, as discussed below.

Participation in responsible investment working groups, committees and initiatives

To assist both Comgest and our investee companies in producing transparent and informative reporting, we have adhered to or support the following initiatives:

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 and 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 Irish Funds Industry Association (Irish Funds)	Comgest is a member of the representative body for the international investment fund community in Ireland. Comgest contributes to working groups and discussions including on responsible investing.
Forum pour l'Investissement Responsible, "FIR" (French Sustainable Investment Forum)	Comgest became a member of FIR Asset Management Group in 2024. Comgest participates in working groups on specific engagement topics, and benefits from research conducted by the FIR and other members.
The Forum per la Finanza Sostenibile (Forum for Sustainable Finance)	Comgest is a member of the non-profit association with the aim of encouraging the inclusion of environmental, social and governance (ESG) criteria in financial products and processes.

Supporting sustainability and responsible investment initiatives

INITIATIVE	DETAILS
Principles for Responsible Investment (PRI)	Comgest has been a signatory since March 2010. In the latest assessment, we received a 5-star rating in "Direct - Listed equity - Active fundamental (93%)" and "Confidence building measures (100%)", and a 4-star rating in "Policy Governance and Strategy (87%)", above median in each of these assessment modules. Comgest's latest PRI Transparency Report and Assessment Report can be found on our *website*.

Standards and initiatives related to climate

Comgest has chosen to adhere to or support the following climate related standards and/or initiatives:

INITIATIVE	DETAILS
Net Zero Asset Manager initiative (NZAM)	Comgest has been a signatory to this initiative driven by an international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner.
Task Force on Climate-related Financial Disclosures (TCFD)	Comgest has supported the TCFD since 2017 and encourages all portfolio companies to align disclosures to the TCFD recommendations.
Climate Action 100+	Comgest has been a signatory to Climate Action 100+ since 2017, an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change.
CDP	Comgest has supported the Carbon Disclosure Project (CDP) since 2012 and participated in several campaigns (e.g. CDP Non-Disclosure Campaign).
Say on Climate Forum pour *l'Investissement Responsable*, "FIR" (French Sustainable Investment Forum)	Comgest is a signatory to the FIR's "Say on Climate" investor campaign which asks companies to present ambitious climate plans and targets, allowing investors to then vote.
Institutional Investors Group on Climate Change (IIGCC)	Comgest has been a member of this European group for investor collaboration on climate change since 2023.
Avoided Emissions Initiative	Comgest is one of the founding partners of this initiative aiming to standardise the calculation of avoided emissions. The 10 partners supporting the initiative are working with specialised consultants to develop a global database of greenhouse gas emission avoidance factors for low-carbon or green enabling solutions.

Standards and initiatives related to other environmental factors

INITIATIVE	DETAILS
Deforestation Free Finance	Comgest joined this initiative in 2021 and is one of the signatories to the Financial Sector Commitment Letter on Eliminating Commodity-driven Deforestation. 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 has supported the FAIRR Initiative since 2020 which is a collaborative investor network that raises awareness on ESG risks and opportunities brought by intensive livestock production.
Investor Initiative on Hazardous Chemicals (IIHC)	Comgest is an active member of this initiative, which aims to reduce the impacts on human health and the environment from the manufacture of hazardous chemicals, thereby reducing financial risks to investors in these companies from litigation, regulation and threats to their license to operate. In 2024, Comgest continued to participate in the collaborative engagement, and signed one letter together with members of IIHC, focusing on the world's 50 biggest chemical companies following the release of ChemScore's 2024 rankings.
Nature Action 100	Comgest joined this engagement initiative in 2023, which is focused on driving greater corporate ambition and action to reduce nature and biodiversity loss. Investors participating in the initiative engage companies in key sectors that are deemed to be systemically important in reversing nature and biodiversity loss by 2030. As a member of the Nature Action 100 initiative, Comgest remained actively involved in collaborative engagements in 2024.

INITIATIVE	DETAILS
Investor Policy Dialogue on Deforestation (IPDD)	Comgest has been a member of the IPDD Brazil since 2020, a collaborative investor initiative to engage with public agencies and industry associations in selected countries on the issue of deforestation.
Partnership for Biodiversity Accounting Financials (PBAF)	Comgest is a member of this industry-led partnership that enables financial institutions to assess and disclose impacts and dependencies on biodiversity of their investments. Joining this partnership will help Comgest be better equipped to assess and measure nature-related risks.
Nature Benchmark Collective Impact Coalition	Comgest joined the Nature Benchmark Collective Impact Coalition in 2024, an initiative organised by the World Benchmarking Alliance (WBA) which will focus on engaging with companies to improve their assessments and disclosure of impacts and dependencies on nature.

Standards and initiatives related to social, human rights and anti-bribery/corruption

INITIATIVE	DETAILS
Access to Medicine Foundation	Comgest has supported the Access to Medicine Foundation since 2019, an independent non-profit organisation which analyses how the world's largest pharmaceutical companies are addressing access to medicine.
PRI Advance Platform	Comgest has endorsed the PRI Advance platform, focused on human rights and social issues, since 2022.
Investor Alliance for Human Rights	Comgest signed the Investor Alliance for Human Rights' statement. The initiative is a collective action platform for responsible investment that is grounded in respect for people's fundamental rights.
World Benchmark Alliance (WBA) Collective Impact Coalition on Ethical AI	Comgest joined the Ethical AI Collective Impact Coalition in 2024, an initiative organised by the World Benchmarking Alliance and industry peers. The initiative seeks to engage with technology companies to advance ethical AI policies and practices.
30% Club France Investor Group	Comgest has been a member of the 30% Club France since 2022. This collaborative engagement initiative expects executive management teams of SBF 120* companies to appoint women to at least 30% of seats and expects companies to be transparent regarding the procedures used to find and appoint new members to the executive management team and how that process ensures a diverse leadership committee. * *"SBF 120" refers to companies listed in the French stock market index, "Société des Bourses Françaises 120".*

PRINCIPLE 5

Signatories review their policies, assure their processes and assess the effectiveness of their activities

INTERNAL REVIEWS

Our Responsible Investment, Active Ownership and Exclusion Policies are approved by the Sustainability Committee and the Board of Directors of the relevant Group entities. Prior to approval, these policies are reviewed by the ESG team and Compliance. The policies are reviewed annually and updated when changes are introduced. We adopt best practices where relevant and follow the recommendations of the PRI, which gives us confidence in our approach.

APPROVAL OF THE ANNUAL UK STEWARDSHIP CODE REPORT

The Sustainability Committee and the Board of Partners review and approve our annual UK Stewardship code report before submission to the FRC. Prior to approval by the Sustainability Committee and the Board of Partners, the report is prepared by the ESG team and approved by the Compliance department.

INTERNAL AND EXTERNAL ASSURANCE

Comgest has implemented an industry-standard internal control framework for managing and monitoring organisational performance, using three levels of controls to manage risk and assign responsibility of key controls to the appropriate officeholders.

The Investment team is the **first line of defence** in terms of respecting risk limits. All members of the Investment team have responsibility for ESG analysis, compliance with ESG related constraints/limits on portfolios, engagement with investee companies and voting.

As part of the **second line of defence**, an oversight function is provided by the Compliance and Internal Control department, and the Risk department.

The Compliance and Internal Control team is responsible for ensuring Comgest conducts its business in compliance with applicable laws, industry best practice and internal policies and procedures. Responsible investment processes and compliance with regulatory obligations/voluntary initiatives are included as part of the Compliance/Internal Control plans. Constraints linked to Comgest's Responsible Investment Policy (e.g., exclusions) and contractual/regulatory commitments are monitored by the Risk Department.

Risk oversight of our portfolios is organised around daily pre- and post-trade controls as well as monthly and quarterly controls.

Daily pre-trade controls are designed to prevent the occurrence of breaches and are performed using our internal portfolio management system. Post-trade controls are performed daily to identify any breaches after settlement of orders. The Risk Department also performs a monthly review of the constraints applicable to our Article 8 products (as defined under the Sustainable Finance Disclosure Regulation).

The local **Risk Committee** conducts an annual risk mapping process and looks at risk mitigation (insurance, controls, processes) as a tool for reducing the risk including both the occurrence and the potential financial loss. This includes operational risk linked to the implementation of responsible investment processes, reporting on responsible investment and climate and ESG transition risks. The Risk teams further cover ESG as a standard reporting item in their quarterly reporting to the Risk Committees.

The **third line of defence** is an independent function performing periodic controls. As part of the third line of defence, responsible investment processes and compliance with ESG related regulatory obligations are included within the relevant entities internal audit programmes. Certain processes are also reviewed annually as part of the ISAE 3402.

FAIR, BALANCED AND UNDERSTANDABLE STEWARDSHIP REPORTING

We produce a number of reports and materials containing ESG-related information, including our quarterly Responsible Investment Report, our Annual Stewardship Report, our Annual Sustainability Report, ESG-focused RFPs/questionnaires and general product information. To ensure that these are fair, balanced and understandable, they are submitted to our Compliance department, which is independent of the team preparing the communications. The Compliance team reviews, challenges and approves relevant materials being distributed externally. Our client base comprises a significant number of institutional investors and global consultants who also serve as an important source of information with respect to benchmarking the quality of information we provide and learning about evolving best practices. We seek regular feedback from clients and industry networks, and this information feeds into the continual improvement of our materials.

GREENWASHING

Comgest recognises the serious implications of greenwashing. It not only undermines investor confidence but also threatens the integrity and fairness of the financial system. In light of these concerns, Comgest implemented a comprehensive approach to safeguard against greenwashing in 2024.

The Sustainability Committee annually reviews and approves a greenwashing risk mapping performed by the ESG team and reviewed by Compliance. This risk mapping is designed to assess Comgest's exposure to greenwashing risks and to facilitate the development of appropriate action plans to mitigate these risks.

Comgest has implemented several measures to prevent and counteract greenwashing risks, including:

- **Training**: Training of Comgest employees on ESG related topics including greenwashing risks.
- **Internal control framework**: Implementation of an industry-standard internal control framework as described above using three levels of controls to manage all types of risks including greenwashing risks.
- **Transparent communication**: A number of our reports and marketing materials containing ESG-related information are reviewed by our Compliance department as described above. This process ensures that all of our materials are fair, balanced, understandable and do not present a greenwashing risk.

IMPROVEMENT OF STEWARDSHIP POLICIES AND PROCESSES

We constantly seek to improve and evolve our policies and processes in light of industry developments, regulatory changes and best practices. In 2024, several changes were implemented:

- We launched the Engagement App, an internally developed tool designed to facilitate the recording, monitoring and reporting of engagement activities.
- We conducted a review of our Active Ownership Policy and Responsible Investment Policy. While no material changes were made, language was refined to clarify our approach and processes.
- A review of our engagement process was also conducted to ensure continued effectiveness, with no material changes made;
- Our Policy on Nature and Deforestation was implemented, including the introduction of a nature-related target whereby we intend for 100% of high-risk companies to be subject to individual or collaborative engagement by end of 2028 (if they have not already implemented mitigation actions).
- The ESG team reviewed our sustainable investment definition and methodology, as well as enhanced our Do No Significant Harm methodology.

PRINCIPLE 6

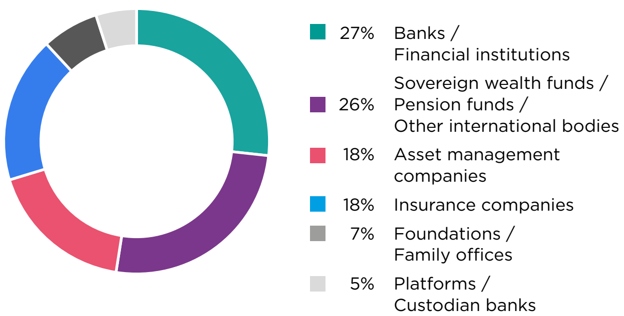
Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them

Comgest works in the spirit of partnership and transparency with our clients, and the majority of our assets under management are managed on behalf of long-term oriented, institutional investors who, like us, are prepared to be disciplined and patient. The development of a trusted partnership with our clients is a key element in implementing our philosophy, and with this comes a duty to provide high-quality servicing and reporting.

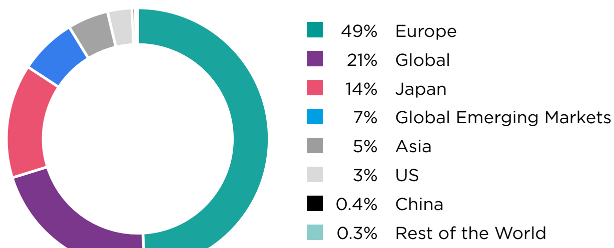
Figure 5 shows our asset breakdown by type of client and geography (please note that, since we only manage equity portfolios, there is no breakdown by asset class).

Figure 5. Comgest Asset Breakdown

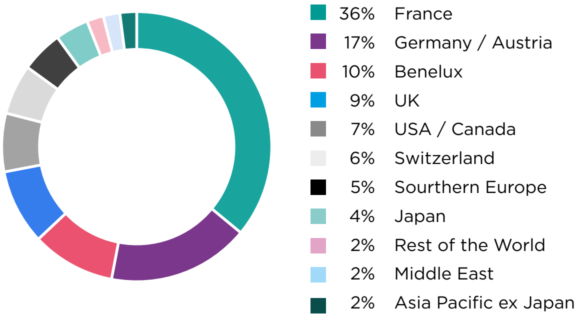
Clients by Type



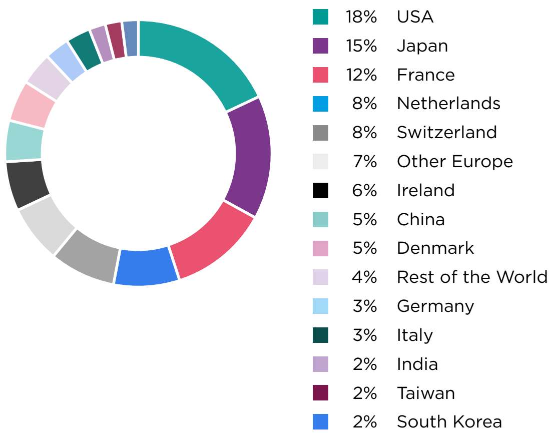
AuM by Strategy



Clients by Geography



AuM by Geography



Source: Comgest, data as of 31-Dec-2024; rounded figures may not add up to 100%.

RESOURCING OF CLIENT SERVICE TEAMS

Comgest has invested in building highly experienced and well-resourced Investor Relations, Marketing Communications and Investor Services teams based in proximity to our clients across our international offices – in France, Italy, the UK, Germany, Austria, Benelux, Japan, and the US.

Our multilingual Investor Relations team is dedicated to providing a high quality, tailored approach to client service. The team is responsible for developing durable client relationships. Through the sharing of insights into industry developments and client sensitivities as they evolve, Comgest is able to better understand and serve client needs. Meanwhile, the Investor Services and Marketing Communications teams produce all forms of client reporting, presentations as well as manage external communications, in multiple languages. The teams also respond to specific client information requests, working closely with the Investor Relations team.

ALIGNMENT WITH CLIENTS' STEWARDSHIP AND INVESTMENT POLICIES

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

Tailoring to bespoke ESG needs

Developing trusted partnerships with our clients is a key element of our investment philosophy. We consider it a privilege to manage assets on behalf of our clients and with this comes a duty to understand their needs and priorities, and to provide high-quality servicing and reporting. Where possible, we help clients develop and implement their own policies as well as provide tailored ESG reporting.

Working together to drive change

As part of our active ownership strategy, we can partner with our clients in order to drive positive change. Combined engagement activity is one of the ways we seek to drive positive change with our investee companies.

Knowledge sharing

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

COMMUNICATING STEWARDSHIP AND INVESTMENT ACTIVITIES AND OUTCOMES

Comgest considers the timeliness and quality of client reporting a core component of our portfolio management services. We follow a principle of maximum transparency, which we believe is essential to building trust and long-term client partnerships. We provide regular, standardised reporting and are able to tailor our reports to specific client needs. We know that the information we provide may be helpful to our clients in demonstrating how they have fulfilled their own ESG responsibilities to their stakeholders.

Example of communications include:

- ***Annual Stewardship Report***: as a signatory to the UK Stewardship Code, we publish an annual report which details how we have applied the 12 Principles of the UK Stewardship Code throughout the year and how we continue to invest in and develop our stewardship activities in line with our mission, investment philosophy and business model.
- ***Annual Sustainability Report***: a comprehensive report compiled at Group level and for selected strategies. The report covers the four core elements of the TCFD recommended climate-related financial disclosure (governance, strategy, risk management and metrics and targets).
- **Quarterly Responsible Investment Report**: quarterly report that details on voting activity, company engagement and outlines our involvement in industry and collaborative initiatives.
- **Monthly and quarterly fund factsheets**: fund-level reports that contain ESG information pertaining to ESG labels, regulatory classifications as well as key ESG metrics.
- ***Proxy voting dashboard***: a summary of Comgest's voting activity for each investee company. This dashboard is updated daily and voting results are visible with a 90-day lag.
- **Regulatory reports**: including the Annual PAI Statements and SFDR Annual Periodic Disclosures.
- **PRI disclosures**: our PRI Transparency Report and PRI Assessment Report.
- **Bespoke reporting**: where possible, Comgest is pleased to help clients develop and implement tailored ESG reporting to help them to meet their information needs.

We also regularly add to our library of investment publications.[7]

[7] Visit our ESG library, available and regularly updated on our website.

PRINCIPLE 7

Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities

As highlighted under Principle 1, we consider responsible investment to be part of our fiduciary duty as asset managers. We seek to protect the long-term interests of our clients by investing in companies whose financial returns are sustainable well into the future. We must therefore monitor the social and environmental impact of our investee companies to evaluate whether they support the conditions for sustainable growth and determine whether their governance structures are designed to treat all relevant stakeholders fairly.

OUR APPROACH TO ESG INTEGRATION

Comgest is focussed on equity investing and adopts the same quality growth philosophy across all regions, public funds and mandates. As described under Principle 2, our ESG Analysts are an integrated part of Comgest's Investment team.

As we believe that a company's responsible approach to ESG issues will positively impact their growth over the long-term, responsible investment has always been an integral part of our investment philosophy and approach. The integration of our proprietary ESG research into our fundamental analysis enables Comgest's Investment team to perform a more comprehensive assessment of "quality".

ESG factors are incorporated into the investment decision making process with the objective of improving the long-term financial outcomes of our clients' portfolios, consistent with their objectives. This approach ensures that the Investment team is aware of an investee company's sustainability risks and adverse impacts, including those that could have a material impact on returns.

ESG integration allows our Investment team analysts and portfolio managers to improve their understanding of the companies they research and identify areas where engagement could have the most impact. In Comgest's ESG research, priority is given to what we consider the most material ESG issues which are likely to have an impact on companies and their ecosystem for sustainable development.

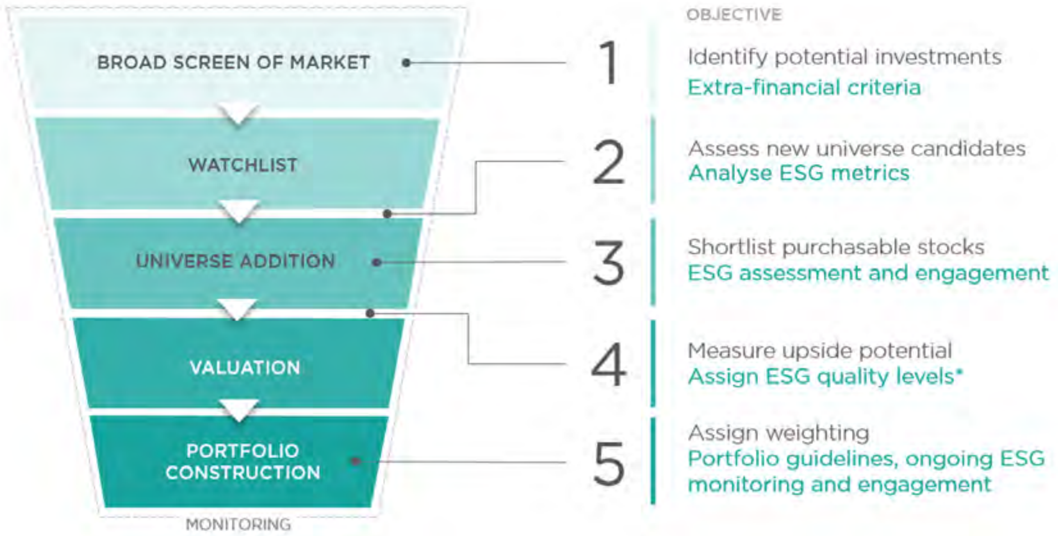
Specific ESG issues that are most material will differ by region and type of activity: for example, companies with supply chains in Emerging Markets may be more vulnerable to the issue of child or forced labour. A company's local laws and practices as well as regulatory standards around ESG issues are also important factors in our ESG analysis. Similarly, climate change is expected to have varying impacts around the world, with an increased risk of drought in countries such as South Africa or India, and an increased flood risk in countries such as China. Governance risk will likely be of heightened materiality in our ESG assessment of state-owned companies in Emerging Markets compared to Western competitors.

Our use of engagement to mitigate identified risks as much as possible and encourage best practices is further described in Principle 9.

ESG INTEGRATION PROCESS

Comgest's ESG integration approach aligns well with our general approach of stock picking quality companies with a long-term investment horizon and ensures that sustainability risks and opportunities as well as adverse impacts are taken into account in a systematic manner. Our process is illustrated in *Figure 6* and described in detail in ***Comgest's Responsible Investment Policy***.

Figure 6. ESG integration at every step of the investment process



** ESG Quality Levels are assigned following the ESG analysts in-depth review which takes place when a security enters a portfolio. While ESG quality levels cover a large majority of Comgest's assets under management, a Quality Level may not be assigned for all investments, depending on the strategy.*

1. BROAD SCREEN OF MARKET

Our investment process includes ESG criteria within our initial screening of the market for quality companies as described in *Figure 1*. This broad screen of the market is carried out by the Company Analysts and ESG Analysts in relation to financial and extra-financial quality growth criteria. This occurs on a continuous basis through evaluation by the Investment team, contact with companies as well as through industry and other sources, such as broker research and the occasional use of screening tools.

2. WATCHLIST

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

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

The integration of ESG analysis is an important research element in building conviction levels about the true quality and sustainability of the business model of a company. ESG research during this phase may also lead to identifying significant ESG-related competitive advantages and growth engines.

3. INVESTMENT UNIVERSE

Comgest's Investment Universe for each strategy represents a list of quality growth companies that have been rigorously selected and may be included in portfolios.

When moving from the watchlist to the universe of eligible investments, Company Analysts and ESG Analysts identify what they believe to be the most material sustainability issues, including those that could have an impact on a company's performance and share price.

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

During this research phase, our Investment team may start a direct dialogue with companies to further construct our investment thesis. These discussions are helpful in cases where data is less available and where there is less certainty about the ESG profile of a company.

4. VALUATION

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

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

As displayed below, ranges of ESG discount rate component are different according to whether it is a Developed Market or an Emerging Market investment universe.

Discount rate components:

Risk-free rate (country/regional government bond yield)	+	Equity risk premium	+	Company risk factor: business model	+	ESG rating impact (for companies with an assigned ESG Quality Level)

Definition of the ESG Quality Level

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

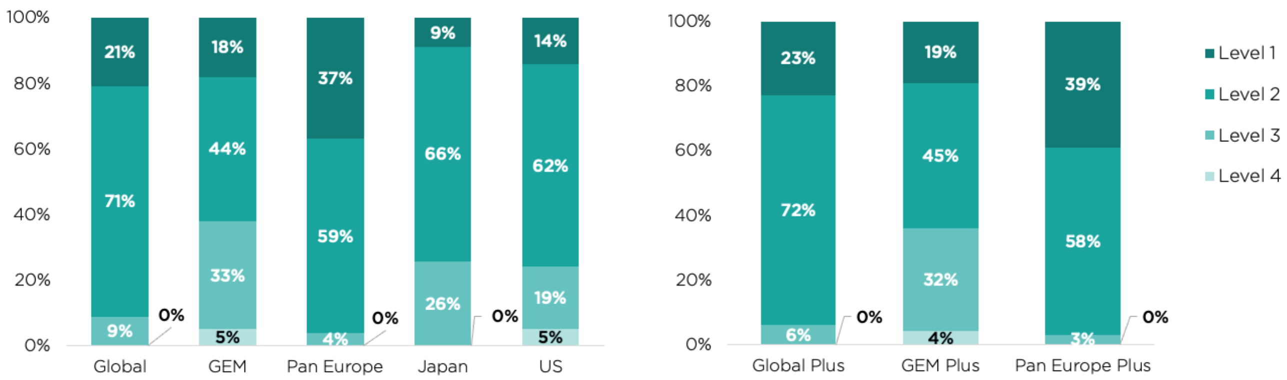
As mentioned above, when a company is assigned an ESG Quality Level, this leads to an impact on our discount rate. By embedding ESG into the valuation process, we bring consistency and rigour to our ESG integration process and ensure that ESG issues are tabled at research meetings for regular discussion. Our proprietary ESG Quality Levels may differ from some of the key data provider "ESG scores" which we believe is the result of our more in-depth and considered approach.

Comgest ESG Quality Level	Discount Rate Impact (DM = Developed Markets / EM = Emerging Markets)	Summary Description
1 ESG Leader	**Lower** -50bps for DM -100bps for EM	– Meets Comgest's "quality growth" selection criteria to qualify for the investment universe and Comgest's governance criteria* – Demonstrates significant ESG-related competitive advantage(s) and/or growth engine(s) – Sustainability embedded in corporate culture – High quality disclosures regarding material sustainability risks – Demonstrates excellent mitigation of inherent ESG risks – Excellent measures in place to respond to potential material ESG issues
2 Good ESG Quality	**Neutral** No impact on the discount rate	– Meets Comgest's "quality growth" criteria and governance principles to qualify for the Investment Universe* – Acceptable disclosure on material sustainability risks – Demonstrates good mitigation of inherent ESG risks – Adequate response to other potential material ESG issues expected – Potential exposure to significant ESG opportunities without meeting the criteria to qualify as an ESG Leader
3 Basic ESG Quality	**Higher** +100bps for DM +150bps for EM	– Meets Comgest's "quality growth" criteria and governance principles to qualify for the Investment Universe* – Comgest exhibit one or more of the following elements: • Suboptimal disclosure on material sustainability risks • Weakness detected in the mitigation of inherent/potential ESG risks • Recurring non-material ESG controversies
4 ESG Improvement Expected	**Higher** +200bps for DM +300bps for EM	– Meets Comgest's "quality growth" criteria and governance principles to qualify for the Investment Universe* – Comgest exhibit a need for improvement on one or more of the following elements: • Disclosure on material sustainability risks • Mitigation of inherent ESG risks • Response to other material ESG issues • Exposure to significant and recurring ESG controversies

**Comgest's governance principles include long-term performance orientation, accountability and transparency, honesty and integrity, shared purpose, and engagement.*

The ESG Quality Level breakdown of investee companies assessed in our principal strategies as of 31 December 2024 is shown in *Figure 7*.

Figure 7. ESG Quality Level in Principal Strategies[8]



Source: Comgest; portfolio holdings as of 31-Dec-2024, excluding companies that are not yet rated by the ESG team.

CASE STUDY: LINDE

ESG QUALITY LEVEL DOWNGRADE AND PORTFOLIO ADJUSTMENTS

Lincare, a subsidiary of Linde, has faced repeated compliance and operational challenges, including Medicare billing issues and service quality concerns. While the company has taken steps to address these matters, regulatory scrutiny remains, and recent leadership changes raised further governance questions.

In December 2024, we engaged with Linde to assess improvements in Lincare's corporate culture and business ethics. Although the company acknowledged past issues and outlined corrective measures, we remained unconvinced by the progress made.

As a result, we downgraded Linde from ESG Quality Level 2 to 3. We will continue monitoring developments, engaging with senior leadership in early 2025, and escalating concerns to the board if we deem it necessary.

5. IMPACT OF OUR ESG ANALYSIS ON POSITION SIZING / PORTFOLIO CONSTRUCTION

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

- Earnings visibility / quality of the business
- Attractiveness of valuation
- Level of growth

[8] ESG quality levels assigned may be subject to change at any time. The portfolios may include investments for which an ESG quality level has not yet been assigned.

Figure 8. ESG Considerations in Portfolio Construction

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

- **Earnings visibility / quality**

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

- **Attractiveness of valuation**

ESG considerations are taken into account within the company-specific discount rate used in our models (see Principle 7, item 4, "Valuation"), directly impacting the calculation of potential upside (financial return) with reference to a company's prevailing stock market valuation. Lower ESG risk leads to higher potential upside, a factor considered in the position sizing process.

- **Level of growth**

The ESG profile of a company can impact our estimate of the level of growth. For example, for companies directly benefiting from a product or service that represents an ESG opportunity, the projected growth rate will take this into account. For companies with significant ESG risks that may materialise into financial risks over our 5-year investment horizon, we are likely to assign a lower confidence level to forecasted growth rates.

Ongoing monitoring and approach to higher ESG risk profile companies

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

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

PRINCIPLE 8

Signatories monitor and hold to account managers and/or service providers

OUTSOURCING AND VENDOR MANAGEMENT PROCESS

Comgest has outsourcing and vendor management policies and procedures in place which define the process for onboarding, managing and monitoring relationships with service providers (including ESG data providers).

Oversight is carried out through a combination of risk assessments, due diligence reviews and/or performance (service level) assessments, depending on the service provider and type of service offered. The business owner who engaged the service provider, is responsible for the assessment of performance and service level reviews, as well as participating in any due diligence as may be required.

Comgest looks to ensure that appropriate action is taken where a service provider is not carrying out the functions effectively or in compliance with applicable laws and regulatory requirements.

ESG DATA PROVIDERS

As explained under Principle 2, in order to complement our proprietary research, we use a number of data providers to support our stewardship activities.

BoardEx MSCI Bloomberg S&P Global MORNINGSTAR SUSTAINALYTICS RepRisk ISS

We have chosen these data providers because they offer wide coverage in terms of investee companies, which corresponds to our Universe. Furthermore, the methodologies they implement are aligned with our investment philosophy and values. Several of these data providers specialise in certain topics – additional expertise that we believe best serves our research and therefore our clients.

Comgest does not rely solely on our service providers' data, however we apply our own analysis to the raw data supplied, valuing proprietary, fundamental analysis in our research process.

We meet regularly with our providers to share feedback on their services, with clear indications of where they have met our expectations and areas requiring improvement. Our proprietary approach to ESG research means that we sometimes discover gaps or other findings in our providers' output. We share these findings with them to help improve the quality of information they provide us and the market at large.

We seek to verify information from external providers and pay specific attention to any divergent or contradictory information concerning ESG issues or controversial activities. In such scenarios, we engage in direct dialogue with the company in question as well as various stakeholders to better understand the issues. Our own qualitative analysis often reveals the need to look beyond the data provided by our data providers. For instance, in 2024, our ESG team identified a mismatch between carbon emission data provided by our data provider and an investee company's reported Scope 1, 2, and 3 emissions. After sharing the company's disclosures and explaining our concerns regarding the provider's estimation methodology, the provider revised its database to display the company's reported data as we suggested. Additionally, during our review of the Principal Adverse Impact (PAI) indicator 13 results for our portfolio companies, we identified an anomaly in the ratio of female board members for one of our investee companies. Upon further investigation, we found that the data provider had made an error. By flagging the error and engaging with the provider, the result was corrected to reflect accurate figures.

Additionally, an annual survey is conducted to collect feedback from the ESG team on the team's usage of data made available by data providers. This exercise allows Comgest to monitor data quality, identify challenges and, when necessary, assess services which no longer fit our needs and should be discontinued. The ESG team meets with and typically trials new providers each year to ensure they are up-to-date with the latest information sources available in the marketplace. In 2024, as part of this review, we engaged with potential providers offering data on areas such as the EU Taxonomy and biodiversity. While no new subscriptions were proceeded this year, these discussions ensure we remain informed about evolving market solutions.

We also discuss data provider quality in our interactions with clients and broader industry participants. In 2024, we participated in surveys from our data providers to provide our feedback on various topics. We also participated in several panels and workshops organised by data providers; this helped us not only to better engage with our data providers, but also gave us the opportunity to exchange ideas with industry peers on relevant topics. We are not committed to using a single provider for any one area of our research and where any information gap is apparent with one provider, we will provide feedback and seek an alternative if necessary. This review also leads us to discontinue some data services should we assess they no longer fit our approach. Consistent with this approach, we terminated one data provider subscription in 2024 following our review.

PRINCIPLE 9

Signatories engage with issuers to maintain or enhance the value of assets

As described under Principle 1, given our concentrated and long-term investment approach we aim to remain invested in a company for many years. Therefore, maintaining strong, active relationships with investee companies is a key element of our investment process. We believe that active engagement can be an effective catalyst for driving improvements with a company, helping us deliver long-term performance to our investors. Our Investment team engages with companies in a constructive and purposeful dialogue throughout the research and monitoring process, rather than simply in reaction to one-off events or news. As described in Principle 6, we regularly report on the details of our engagement activities to our investors.

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 involve providing feedback to investee companies and/or sharing 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. We monitor the evolution of these engagements by specifying objectives and reporting on the ongoing status and eventual outcomes, as described below.

METHODS OF ENGAGEMENT

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

- **Individual engagement**

Most of our engagement activity is through direct, individual interaction with companies. Typically, these engagements are carried out by an ESG Analyst and the relevant Company Analyst(s) within the Investment team. Analysts may draw on 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 and, 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.

- **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 target a specific company or a specific theme, for example engaging with multiple companies through 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.

Our interaction with companies and their relevant stakeholders (investor relations, senior management, board members, sustainability teams, human resources and experts) can take several forms, including:

- Written communication (emails, formal letters)
- Meetings (both virtual and in-person)

- Site visits (for example to company premises, operational locations, suppliers)
- The use of collaboration platforms

Our commitment to engagement is consistent across our portfolios as active ownership is key to delivering our singular investment strategy. Nevertheless, our methods of engagement will be adapted to the companies we are engaging with and can differ by regions. For example, when seeking improvements on data privacy by big tech companies such as Facebook, Amazon or Alphabet, we have conducted more collaborative engagements, as the voice of many investors carries more weight than an individual shareholder with these companies.

ENGAGEMENT PRINCIPLES

1. We take a partnership approach to engaging with companies

At Comgest, we consider our relationships with investee companies, clients and employees similarly: as a partnership. As a long-term shareholder, we aim to develop a deep and nuanced understanding of our companies. We strive to develop open, transparent dialogue. When engaging on areas for improvement, we typically prefer to discuss a given topic directly with the company in an open discussion as a starting point, 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 responsive to our requests and/or recommendations.

2. We prioritise our engagement efforts

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

- **Materiality**

Materiality guides our engagement with companies. We want to ensure that our conversations with companies are focused on ESG issues relevant to their business today and in the future. To identify these issues, fundamental stock-level research is key. Nevertheless, an in-depth stock analysis is not sufficient. We widen our view to consider how a company may be influenced by macro-level transitions, for instance driven by sector, geography or market trends. Therefore, to identify the material ESG engagement issues, our fundamental research is combined with an analysis of how companies are exposed to thematic areas of risk and insights gained through industry initiatives in which we participate.

- **Client priorities**

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

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

3. We engage over long periods of time

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

As long-term 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.

4. We engage ahead of annual general meetings (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 support our ongoing relationship with companies.

5. **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. While companies with lower ESG Quality Levels may be prioritised for engagement activity, we identify topics for engagement across our range of companies, including among our ESG leaders.

ENGAGEMENT OBJECTIVES AND MONITORING

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 increasing board gender diversity to be at least 30% women".

Monitoring progress and outcomes

We monitor the achievement of milestones and improvements that indicate progress towards our objectives. We recognise that engagements can remain ongoing for several years, but if there is a lack of reactivity on the part of a company and/or no improvement, we may decide to escalate (see Principle 11).

There are three potential stages identified within our engagement monitoring:

1. **Ongoing**: Engagement has been initiated, the company has acknowledged our concerns, and we are awaiting evidence of progress;
2. **Escalation**: Further engagement activities have been initiated in reaction to an insufficient response to our concerns (see Principle 11);
3. **Outcome**: Assessment of the engagement activity as either:
   - **Success**: The company has implemented measures to address our concerns, and the engagement is complete; or
   - **Failure**: Unsatisfactory action was taken within the target engagement time horizon (maximum five years), which may lead to divestment depending on the materiality of the topic.

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

In the case of a **successful engagement**, the team members involved in the engagement may share their experience and findings internally, across the Investment team. This knowledge-sharing of engagement techniques ensures that future engagements may benefit from the team's collective experience.

In the case of an **unsuccessful engagement** where the topic is considered material in nature, we may deploy escalation techniques as described in Principle 11. An unsuccessful escalation can significantly impact the conviction level the Investment team had on a company and may result in divestment. If we decide to continue to invest in the company, the knowledge gained from our engagement activity will be incorporated in our ESG Assessment of the company and may influence the ESG Quality Level assigned. Thus, in addition to the qualitative learnings, engagement activities can directly feed into the portfolio construction process[9].

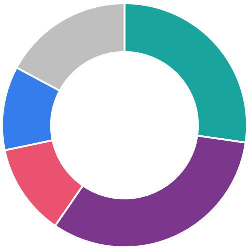
[9] More on how ESG Quality Levels impact the discount rate used in our valuation models in Principle 7.

OUTCOMES OF ENGAGEMENT

In 2024, we engaged with **133 companies** and carried out **193 engagement actions**. Statistics on these activities are provided in the charts below. The most common topics of engagement was management-related, climate change and biodiversity.

Figure 9. Engagement activities across all Comgest portfolios

Region Breakdown

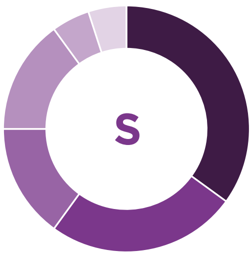


Engagement Type Breakdown

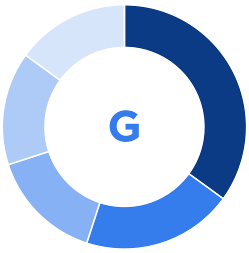
Topic Breakdown

Sub-topic Breakdown: Environment

Sub-topic Breakdown: Social



Sub-topic Breakdown: Governance



Please note that rounded figures may not add up to 100%.

VOTING ACTIVITY ALIGNED WITH ENGAGEMENT STRATEGIES

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.

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 support our ongoing relationship with companies.

For instance, some useful information we gained during the engagements helped us make voting decisions that went against our voting policy, such as the two 2024 examples below:

CASE STUDY

VOTING AGAINST COMGEST'S VOTING POLICY BASED ON INFORMATION GAINED THROUGH ENGAGEMENTS

EXAMPLE OF WIZZAIR

In September 2024, we engaged with WizzAir's Deputy Chair, Stephen Johnson, to discuss proposed changes to Executive Pay ahead of the company's AGM. CEO Jozsef Varadi's sole long-term compensation plan does not pay out until 2028, and given recent "black swan" events – including but not limited to the coronavirus pandemic, the Russia-Ukraine war, tensions in the Middle East, and plane groundings due to engine issues – he has become one of the most underpaid CEOs. The Board was seeking to introduce interim mid-term payouts in the form of share awards, restricted stock units and performance-based shares to strengthen his remuneration package. We understood that the proposed package is crucial to retain Varadi who has been key to Wizz's success.

Our voting policy recommended to vote against the two proposals 'Approve Remuneration Policy' and 'Approve Amendments to the Omnibus Plan', due to the concerns regarding the magnitude of executive remuneration packages and the operation of the Long-Term Incentive Plan. However, based on information gathered during our discussion with the company, we voted in favour of these two proposals. We approved the plan because of its rigour, particularly its strong focus on profitability, the reasonable nature of the adjustment and the urgency to motivate and retain the executive team at a time when their departure would be highly detrimental. We believe the proposed remuneration policy offers appropriate financial and motivational incentives to drive profitability in a sustainable manner.

EXAMPLE OF GLOBANT

Ahead of their Annual General Meeting (AGM), the Head of Investor Relations at Globant reached out to our analysts after reviewing ISS' proxy analysis report. The company noticed that ISS had recommended voting against three of their proposals and wanted to explain why they'd like for us to vote "for" those items. Comgets's Voting Policy recommended a vote against two proposals, "Increase Authorised Share Capital and Amend Articles of Association" and "Approve Share Repurpose" due to concerns over shareholder rights and transparency. First, the proposed share issuance exceeded the standard 10% limit without offering pre-emptive rights, and the company failed to disclose details about the new long-term incentive plan included in the request. Second, the overall authorisation went beyond standard limits.

After conducting our own research, we spoke with the company again in order to explain our position and gain a better understanding of the company's intentions. Globant explained that they simply needed a certain amount of flexibility in managing these plans and pointed to their track record of responsible execution over the past decade. The company provided comprehensive information and calculations regarding the increase in authorised share capital, intended for a new equity incentive plan and for M&A activities. As one of Globant's key competitive advantages lies in its employees, it is crucial to retain and incentivise them adequately to secure top-quality talent and reduce turnover, and stock-based compensation plans are important in achieving this goal. Furthermore, shareholders granted a similar authorization for 2019-2024 and during the period Globant repurchased less than 0.5% of share capital in common shares at market price, demonstrating the Board's cautious and judicious approach to repurchasing decisions.

Thus, despite standard limitations, the company's track record and explanation assuaged our concerns. We found their explanations reasonable and voted in favor of both proposals.

Differentiating our engagement approach by region: Nature Action 100 – Engaging across geographies

Our engagement strategy under Nature Action 100 may vary by region, reflecting differences in regulatory landscapes, corporate maturity, and sustainability priorities. Below, we highlight key distinctions in our efforts across Europe and Emerging Markets, showcasing how we tailor our approach to maximise impact.

Europe: Engaging with L'Oréal

As part of our participation in Nature Action 100, we engaged with L'Oréal alongside other investors to strengthen its sustainability strategy and accelerate its commitments to biodiversity and nature-related topics.

During our discussions, we addressed several key areas:

- Compliance with the EU Deforestation Regulation and its implications for L'Oréal's supply chain.
- Pollution reduction initiatives, including increased plastic recycling and the expansion of refillable product lines.
- Sustainable product design and how L'Oréal integrates life cycle assessment of its products.

Given L'Oréal's progress and maturity in biodiversity efforts, we encouraged the company to join initiatives such as TNFD (Taskforce on Nature-related Financial Disclosures) and SBTN (Science-Based Targets for Nature). Additionally, we suggested enhancing ESG integration in executive remuneration to better align incentives with sustainability goals.

We will continue to monitor L'Oréal's progress, particularly in its 2024 annual report, which will provide further disclosures on biodiversity in compliance with the CSRD (Corporate Sustainability Reporting Directive).

Emerging Markets: Engaging with Inner Mongolia Yili (Yili)

In Emerging Markets, engagement efforts often focus on raising awareness and sharing best practices. Our engagement with Yili exemplifies this approach. Our discussions with Yili centred around three core topics: governance, strategy & assessment, and targets. Key takeaways included:

- Governance: The company has a sustainability committee and publishes an annual biodiversity conservation report. Its executive remuneration already includes sustainability targets, with plans to expand KPIs further.
- Strategy and assessment: Yili is currently developing a deforestation-free commitment, with a proposal set to be reviewed by its Board. Additionally, the company is working on pollution prevention and piloting a zero-landfill policy at select factories before a potential broader rollout.
- Targets: Yili aims to achieve a deforestation-free supply chain by 2030, following a four-step approach: tracking raw material sources, increasing certified purchases, engaging external actors, and participating in deforestation-reduction initiatives.

We will continue to monitor its progress and encourage further action in alignment with Nature Action 100 goals.

CASE STUDY: DAIKIN

ENGAGEMENT ON MULTIPLE TOPICS, OVER TIME

In Comgest's UK Stewardship Code Report 2023, we cited our engagement activities with Daikin, the world's largest air conditioner manufacturer, as an example of thematic engagement on the topic of hazardous chemicals. As a result of the engagement, we raised our estimate level of severity of the risks involved and downgraded the company's ESG Quality Level, effectively impacting valuation. We continued to assess and monitor the relevant risks.

Over the past couple of years, Comgest continued to engage with Daikin on several other ESG-related issues. In February 2024, we exited our position in Daikin. Several ESG concerns, including both the PFAS controversy and an issue regarding white phosphorous contributed to the decision.

Despite no longer being invested in the company, we conducted another engagement with Daikin towards the end of the year. At the December 2024 Nomura conference in Tokyo, we had a one-on-one meeting with the Senior Executive Officer in charge of corporate communication and asked about the evolution of the company's management on the white phosphorus question. We were informed that Daikin had made the decision to no longer supply the product associated with white phosphorus, except for existing contracts with the Japan Defence Agency that last through March 2026.

While this engagement did not lead to any direct outcomes, we welcomed the opportunity to continue our relationship with the company, despite no longer being investors. Engaging with companies post-divestment, such as with Daikin, demonstrates how we use engagement to deepen our understanding of companies at every stage and inform our research, even beyond investment.

PRINCIPLE 10

Signatories, where necessary, participate in collaborative engagement to influence issuers

We identify engagement themes through common issues arising from our bottom-up engagement with companies as well as through the top-down priorities we have established as a responsible investor.

As described under Principle 9, although most of our engagement activity is through direct, individual interaction with companies, in certain scenarios teaming up with like-minded investors and other stakeholders can be a more effective means of achieving our objectives.

Comgest closely monitors three thematic risk areas: climate, biodiversity and human rights. 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 are prioritised for collaborative engagements and advocacy initiatives. Please see below the list of collaborative engagements for 2024.

Examples of collaborative engagements undertaken in 2024

SPONSOR/TITLE	REGION	OBJECTIVE	OUTCOME
CDP Non-Disclosure Campaign	Global	As per the last six years, Comgest participated in the 2024 CDP Non-Disclosure Campaign, a collaborative engagement campaign that encourages companies to disclose more standardised environmental information to allow for better comparison. As a lead investor in 2024, we engaged with 22 companies by sending letters to request the submission of CDP Climate Change, Water and/or Forest questionnaires.	Overall, seven of these companies (32%) replied to at least one CDP questionnaire. Although the 2024 campaign is now over, we will continue to engage with these companies and to request increased transparency on their environmental practices, especially those who have not submitted a CDP questionnaire.
Net Zero Engagement Initiative	Global	In 2024, Comgest joined the Net Zero Engagement initiative (NZEI), which is an investor-led initiative aimed at helping IIGCC members align more of their individual investment portfolios with a net zero pathway using corporate engagement, focusing on major emitters beyond the Climate Action 100+ focus list. We are leading engagements with two companies and co-leading with another. In October, IIGCC sent letters to the three companies asking for information regarding their climate transition plans.	The NZEI is on-going. In Q4 2024, we joined a meeting with co-lead investors regarding our engagement with Linde. At the time of writing, we are in the research stage. A meeting with the company is schedule for Q2 2025.
Investor Initiative on Hazardous Chemicals (IIHC)	Global	The IIHC is a global network of institutional investors, coordinated by the NGO ChemSec, that aims to reduce the adverse impacts of hazardous chemicals and thereby its members' exposure to the financial risks to which they are linked. As a member of the initiative, in 2024, Comgest continued to participate in collaborative engagements and co-led / supported the engagements of two companies.	In 2024, as co-lead investor, we held one engagement meeting with LG Chem. We will continue to monitor their progress and participate the engagements in 2025.

SPONSOR/TITLE	REGION	OBJECTIVE	OUTCOME
Nature Action 100	Global	As a member of the Nature Action 100 initiative, Comgest remains actively involved in this year's collaborative engagements. In 2024, we held engagement meetings with four investee companies. Furthermore, we continued collaborating with other investors to define the engagement priorities for the other companies that we are engaging with.	In 2024, we held four engagement meetings with L'Oréal, Amazon, Zoetis and Inner Mongolia Yili. Overall, we were satisfied with the progress made following our engagements with some of the companies and we will continue to monitor their progress. We will continue to engage with all the companies and to request increased transparency on their nature-related impacts and dependencies.
Collaborative Engagement on Technology, Mental Health and Wellbeing	Global	Comgest joined this collaborative engagement group organised by industry peers focused on engaging with technology companies. As the lead investor responsible for engaging with one company, we work with other investors to initiate discussions with the company on mitigating the issues associated with the negative impacts of technology on mental health and wellbeing.	In Q3 2024, we joined an engagement meeting with Meta as the lead investor. During the call, we discussed with Meta about safeguards to prevent AI integration from worsening mental health issues like distress and cyberbullying. We do not consider the company's response satisfactory and will continue to engage by providing our feedback and asking additional questions in the coming months.

PRINCIPLE 11

Signatories, where necessary, escalate stewardship activities to influence issuers

As outlined in Principle 9, maintaining an active dialogue with investee companies is a key element of our investment process. Where companies identified for improvements have not demonstrated progress towards those measures over time despite our engagement with them, Comgest may escalate our engagement with the company or eventually divest.

ESCALATION APPROACH

Our approach to escalation does not differ across funds or geographies except when required by local laws and practices, for example with respect to filing shareholder resolutions.

We believe working in partnership with our investee companies and maintaining transparent dialogue on engagement issues is an efficient way to achieve improvements. 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 multiple company representatives.

METHODS OF ESCALATION

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

- 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.
- In certain scenarios, we may also decide to pre-declare our voting intentions publicly on our website (see below).
- Collaborating with other investors, because creating a united front can add weight to our requests which can be a more efficient way to achieve desired outcomes.
- Sending formal letters to the company or Board to emphasise the gravity and formality of our position (individually or collaboratively).
- Though rare, we may consider informing regulators or the press of our stance, or we might file a shareholders' resolution in cases where we believe the company repeatedly ignored the interests of minority shareholders.
- Divestment

CASE STUDY: CARL ZEISS MEDITEC

ESCALATING GOVERNANCE CONCERNS THROUGH VOTING ACTIVITY AND ENGAGEMENTS

Carl Zeiss Meditec (CZM) is a multinational medical technology. In 2024, we expressed dissatisfaction with governance practices through both voting and engagement activities.

Vote against management

At the company's 2024 AGM, Comgest voted against management's proposal to review the company's Remuneration Report (in line with Comgest's Voting Policy). The decision to vote against was motivated by a number of factors, including:

- insufficient ex-post disclosures to explain performance achievements underlying variable payouts,
- unsatisfactory disclosure practices which continue to deviate from common market practice and Shareholders Rights Directive II (specifically regarding the years assessed in the report, as the company is reporting on variable pay for FY21/22 instead of FY22/23),
- a lack of a direct response to shareholder dissent on the prior Remuneration Report and policy votes at last year's AGM.

Objective-driven engagements

In late 2024, we engaged with CZM to discuss key governance topics, including recent management changes, board independence, succession planning, and incentive alignment.

Following this engagement, we maintained CZM's ESG Quality Level 2 but intended to continue monitoring developments. To further evaluate governance practices, we reached out to an Independent Director and submitted key questions to the Independent Chair of the Audit Committee. The Chair provided assurances on capital allocation and succession planning, while the Investor Relations team later confirmed that our engagement had sparked internal discussions at Board level. In response, the company also commissioned a third-party perception study with shareholders and analysts on critical governance matters among other topics.

We appreciate the company's proactive approach and will continue to monitor progress, anticipating further governance enhancements in 2025.

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 a company implementing 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 set a maximum time horizon of five years for our efforts to enact change before exiting, in the best interest of our investors.

CASE STUDY: DSV

ESG-RELATED CONCERNS CONTRIBUTE TO DIVESTMENT DECISION

For Comgest's UK Stewardship Code Report 2023, we cited our engagement activities with transport and logistics company DSV as an example of escalation. Comgest felt that DSV's ESG risk exposure increased with the announcement of the joint venture in the NEOM project in Saudi Arabia. Comgest downgraded the company's ESG Quality Level 3 to an ESG Quality Level 4, effectively impacting the company's valuation.

Comgest did not see the need for divestment at that point, as our engagement activities were being well received and the responsible ESG Analyst identified opportunities for a company of DSV's size and scale to set decent standards of living and introduce better working conditions for employees. We did, however, continue to monitor the situation.

As of September 2024 – nearly a year after we first initiated dialogue with DSV because of deteriorating workforce KPIs that included high turnover, increased use of sick leave and fatalities – Comgest has fully divested from the company. While the decision to exit our position rested on financial aspects, ESG considerations contributed to the decision.

COMGEST'S 2024 PRE-DECLARATION OF VOTING INTENTIONS

The 2024 proxy season marked Comgest's third pre-declaration of our voting intentions. As an active manager, we consider voting as a key lever to influence and exercise our stewardship responsibilities. We view pre-declaring our voting intentions as an opportunity to strengthen ongoing engagements and provide increased transparency.

In 2024, we pre-declared our voting intentions for two shareholder resolutions:

Walmart
(US retail corporation)

Shareholder Resolution: Set Compensation Policy that optimises portfolio value for company shareholders.

Comgest's vote intention: For Shareholder Resolution

Comgest Rationale: Given its human capital-intensive business model (2.1 million associates worldwide as of FY2024) and its role as the world's biggest private company employer, Walmart's approach to employee relations and the treatment of its workforce constitutes a material ESG risk for the company. We also acknowledge the macro-economic concerns associated with low wages and note that controversies around employee pay and working conditions could risk stunting Walmart's growth prospects. As a long-term investor, we believe that effective compensation policies should provide employees with the necessary means to support their basic needs, to attract and retain a motivated and stable workforce. We therefore consider fair remuneration to be an important area for Walmart to consider in the context of its long-term growth prospects.

Meta
(US technology conglomerate best known for its social media products)

Shareholder Resolution:

- Child Safety Online
- Lack of Investment in Content Moderation in the Global Majority
- Report on Generative Artificial Intelligence Misinformation and Disinformation Risks

Comgest's vote intention: For Shareholder Resolution

Summary of resolutions: These resolutions request that Meta introduces new reporting to allow shareholders to better assess and monitor their approach to tackle i) child safety issues across its platforms, ii) human rights risks relating to hate speech, disinformation and incitement to violence in its five-largest non-US markets, and iii) risks posed to the business by misinformation and disinformation content amplified by the use of generative Artificial Intelligence ('AI').

Comgest Rationale: We view Meta's well-documented problems around content safety to be one of the most material risks that the company faces. Despite significant investment in resources and processes in recent years, these issues require further action to reduce risks and satisfy regulatory requirements. Widespread adoption of AI tools (including Meta's) could amplify the spread of problematic content. The effective mitigation of these risks is key to safeguard Meta's business model in the long run, given the company's significant advertising revenue streams and the need to maintain a loyal user base. Both are dependent on ensuring high quality content within a safe online community. We have therefore identified content safety as a priority issue for engagement with Meta, and recently committed to lead a group of investors as part of the Investor Coalition on Mental Health and Wellbeing to engage with the company on mental health issues. The proposed resolutions are in line with our stewardship commitments, and we consider them to be of high importance in the mitigation of child safety and human rights risks on Meta's platforms and countries of operation. The implementation of concrete targets and further quantitative reporting would also represent a significant step in the mitigation of material risks potentially impacting the long-term sustainability of Meta's business model.

CASE STUDY: ORION CORPORATION

In early 2024, Orion Corporation announced that its subsidiary, Pan Orion Corp Limited, would acquire a controlling stake in LegoChem Biosciences. The transaction raised significant concerns about strategic alignment, governance, and shareholder value. We formally addressed our concerns in a letter to Orion's CEO, through the VP Chairman and the Investor Relations team, seeking further clarification on the deal's strategic purpose, governance process, and financial implications. Our key concerns noted in our letter included:

- **Strategic misalignment**: The acquisition deviates sharply from Orion's core business and appears to have close ties to Orion Holdings Inc.'s strategies, raising questions about its relevance to Orion Corporation.
- **Process deficiencies**: Reports from sell-side analysts indicate the deal was negotiated hastily, lacking transparency or adequate due diligence.
- **Shareholder scepticism**: Orion's share price decline post-announcement reflects broad investor unease, compounded by management's failure to communicate a compelling rationale for the transaction.

We received the company's response, which failed to address our concerns meaningfully, further eroding our confidence in management's accountability to minority shareholders.

At Orion's March 2024 AGM, we therefore voted against two resolutions in particular:

- Elect Lee Wook as Outside Director (Outcome: Pass – Dissent Level: 16.1%)
- Elect Lee Wook as a Member of Audit Committee (Outcome: Pass – Dissent Level: 23.7%)

Even though our voting policy supports re-electing directors who meet baseline qualification for Board composition and qualification, we decided to vote against the reappointment of Lee Wook due to governance concerns raised from this transaction. The company has not disclosed how independent directors voted on the transaction, nor provided transparency on the rationale behind the investment. This underscores our broader concerns regarding Orion's decision-making process and lack of accountability to minority shareholders.

The combination of a poorly justified transaction and inadequate response to shareholders led us to conclude Orion no longer meets our Quality Growth standards. Shortly thereafter, we divested fully from Orion across all our portfolios.

PRINCIPLE 12

Signatories actively exercise their rights and responsibilities

As an active investor and signatory to the PRI, Comgest's objective is to vote systematically at all shareholder meetings held by all investee companies when this is technically possible to do so. We have designed our Active Ownership Policy based on our own beliefs as well as commonly accepted best practices and high governance standards. Our portfolios are invested in equities across the world, in both developed and emerging markets. Given the heterogeneous nature of these markets, their business practices, legislation and degrees of maturity, Comgest's Voting Principles can differ across regions. Full details can be found in our ***Active Ownership Policy***.

COMGEST'S VOTING PRINCIPLES

1. REFLECTIVE OF OUR PHILOSOPHY AND FUNDAMENTAL INVESTMENT BELIEFS

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.

2. SYSTEMATICALLY VOTE WHENEVER POSSIBLE

Comgest's objective is to vote systematically at all shareholder meetings when technically 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 have voice and it can be a driver of change.

3. PROMOTE SPECIFIC GOVERNANCE CHARACTERISTICS

Comgest looks for and encourages investee companies to apply the following four principles in their governance systems:

- Long-term performance orientation
- Accountability and transparency
- Honesty and integrity
- Shared purpose and engagement

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.

4. ONE SHARE, ONE VOTE

We consider the principle of "one share, one vote" to be fundamentally sound and we are therefore 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.

5. 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 at varied stages of development, in sectors with differing dynamics and in geographies with specific business cultures and practices. It may therefore not always be appropriate to apply our Voting Rules rigidly and we may diverge from them depending on company specificities, including but not limited to stage of development, geography and sector. In such instances, we look to ensure that our decision remains in line with Comgest's overarching voting principles and document the reason for our divergence.

6. VOTES AGAINST COMPANY MANAGEMENT RECOMMENDATIONS

Comgest may vote against company management recommendations when we believe that this is in the best interest of the shareholders and the company itself. In the event that Comgest has identified a material risk associated to a proposed resolution, we will typically inform the company in question of our intention to vote against management ahead of the AGM. Additionally, in our ongoing dialogue with investee companies, we encourage 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. This may occur if we were not given sufficient opportunity to address questions in relation to the matter with the company. In such cases, we will typically follow up with the company to subsequently address the point.

VOTING AGAINST / OVERRIDING COMGEST'S VOTING POLICY

We may elect not to follow our own standard voting policy where we consider that it does not take into account the specific circumstances of a company and thus may not be appropriate. This occurred in **2.4%** of cases in 2024.

For clients with whom we manage a dedicated segregated mandate (where these clients have delegated proxy voting rights to us), we either apply our own voting policy or the client's specific voting policy.

For our pooled funds, Comgest retains full voting discretion and applies its voting policy. Clients cannot influence voting on pooled funds. However, we do consider clients' feedback and industry practice when reviewing and updating our Active Ownership Policy to ensure our voting and engagement standards are in line with client and industry expectations.

SECURITIES LENDING

Comgest does not engage in stock lending for any of our 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.

VOTING PROCESS

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 team dedicated to proxy voting policy customisation. Our Voting Rules are aligned with our approach to responsible investment. 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.

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 ISS web-based proxy voting platform which notifies Comgest of any general meetings of investee companies and enables Comgest to vote electronically in every country in which we invest, where technically possible. In addition, 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.

– **Step 1**: Identification of the general meeting on the ISS proxy voting platform: cut-off date, record date, whether share blocking or stock registration is required.
– **Step 2**: Lead analyst is informed of the agenda for the general meeting and voting recommendations in accordance with Comgest Voting Rules. 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.
– **Step 3**: Lead analyst gives the voting recommendation to the Proxy Voting and ESG teams.

  Where the lead analyst's recommendation is in line with Comgest's Voting Rules, the vote is automatically processed. Where the lead analyst recommends a deviation from Comgest's Voting Rules, they send information supporting this assessment to the Proxy Voting and ESG teams. The Proxy Voting team liaises with the ESG team or relevant portfolio managers, as necessary, for a decision prior to submitting the vote. In cases where the voting decisions are not in line with voting recommendations based on Comgest's Voting Rules, the reason for the divergence is documented.

- **Step 4**: The Proxy Voting team enters the voting decisions where required into the ISS proxy voting platform.
- **Step 5**: The Proxy Voting team reviews the completed proxy voting activity via the meeting dashboard and archives provided by ISS to ensure that all votes have been cast appropriately. The Proxy Voting team also provides ISS with a daily file from our internal portfolio management system so they can perform a reconciliation against the ballots they have received to ensure no ballots are missing for which Comgest has voting rights.

VOTING STATISTICS

In 2024, Comgest voted at **438 general meetings**, representing over **98%** of all the general meetings held by investee companies, or over **99%** excluding meetings at which Comgest declined to vote to avoid conflicts of interest (please refer to Comgest's ***Active Ownership Policy*** for more information).

Comgest did not vote at **1** general meeting held by 1 company for technical reasons.

Overall, Comgest voted on **5143** resolutions concerning **339** companies in **34** countries.

Comgest **voted against, or abstained from voting on, at least one resolution** at **280** general meetings.

Comgest exercised its voting rights on **5143** resolutions out of a total of **5159** votable resolutions, representing **99.69%**.

Comgest voted on **129 shareholder resolutions**.

General Meetings by Country

COUNTRY	VOTABLE MEETINGS	VOTED MEETINGS	%
Bermuda	2	2	100.00%
Brazil	32	32	100.00%
Cayman Islands	13	13	100.00%
Chile	1	1	100.00%
China	46	46	100.00%
Cyprus	1	0	0.00%
Denmark	6	6	100.00%
Faroe Islands	1	1	100.00%
France	13	13	100.00%
Germany	10	10	100.00%
Hong Kong	2	2	100.00%
India	73	73	100.00%
Indonesia	2	2	100.00%
Ireland	11	6	54.55%[10]
Israel	1	1	100.00%
Italy	4	4	100.00%
Japan	65	65	100.00%
Jersey (Channel IsL, UK)	3	3	100.00%

COUNTRY	VOTABLE MEETINGS	VOTED MEETINGS	%
Kazakhstan	4	4	100.00%
Luxembourg	4	4	100.00%
Mexico	12	12	100.00%
Netherlands	12	12	100.00%
Philippines	1	1	100.00%
Poland	1	1	100.00%
Portugal	1	1	100.00%
Russia	4	4	100.00%
South Africa	5	5	100.00%
South Korea	10	10	100.00%
Spain	2	2	100.00%
Sweden	3	3	100.00%
Switzerland	11	11	100.00%
Taiwan	5	5	100.00%
USA	44	44	100.00%
United Kingdom	11	11	100.00%
Vietnam	28	28	100.00%

[10] Where Comgest's open-ended public funds were invested in other funds which are part of Comgest's product range, Comgest decided not to exercise its voting rights at 5 general meetings relating to these funds. Please see further details in Principle 3.

Exercise of Voting Rights

BREAKDOWN OF VOTES	%
For	81.3%
Against	16.9%
Abstentions or Withholdings	1.7%
Other[11]	0.1%
In Line with Management	83.3%
Against Management	16.7%
In Line with Comgest Policy	97.6%
Against Comgest Policy	2.4%
For Shareholder Resolution	58.1%
Against Shareholder Resolution	41.1%
Abstain Shareholder Resolution	0.8%

ESG Themes

BREAKDOWN OF THEMES	%
Environmental	0.17%
Social	1.03%
Governance	98.19%
ESG	0.60%

The following reports which contain information on our voting statistics are made available to clients:

- **Annual Sustainability Report**: A description of our voting behaviour, including an explanation of our most significant votes; 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 the voting activity related to Comgest's portfolios. These reports are available upon request.
- **Quarterly Fund Factsheets**: In certain regions, our public fund factsheets display quarterly statistics on our engagement and voting activity.
- **On-demand Voting Reports**: For segregated mandates, Comgest can provide specific voting 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.

SIGNIFICANT VOTES

Comgest provides a rationale for voting decisions that we consider significant, such as 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, or votes connected to an escalation strategy.

In 2024, we strengthened our approach to assessing significant votes by developing a guidance on the interpretation of significant shareholding. This framework considers various factors beyond shareholding percentage to determine voting influence, including:

- Dispersed ownership, where small holdings can be impactful due to a widely spread shareholder base.
- Small-cap companies, where even modest shareholdings may carry greater weight due to lower market volume.
- Top shareholder status, which often grants greater voting influence and direct engagement opportunities.
- Long-term relationships with company management, which can enhance the impact of our votes.

By improving our assessment criteria, we aim to enhance transparency and consistency in our reporting.

[11] Voting in response to say on frequency vote options.

Below is an illustrative selection of significant votes during the year 2024.

Examples of Votes Against Management/Abstention

LINDE: VOTE AGAINST MANAGEMENT (AGM, 30-JUL-24)

– **Elect Director Joe Kaeser**

- **Rationale:** We voted against the re-election of Joe Kaeser as Chair of the Governance Committee at Linde. This vote went against management and against ISS recommendations but was in line with Comgest policy. In 2023, we had indicated our intention to vote for a resolution put forward by a shareholder requesting a report on climate lobbying and alignment with the Paris Agreement. The shareholder proposal requested that the Board of Directors conduct an evaluation and issue a report (at reasonable cost, omitting confidential or proprietary information) describing if, and how, Linde lobbying and policy influence activities align with the goal of the Paris Agreement and how Linde plans to mitigate the risks presented by any misalignment. Corporate lobbying that is inconsistent with the Paris Agreement presents increasingly material risks to companies and their shareholders, as delays in emissions reductions undermine political stability, damage infrastructure, impair access to finance and insurance, and exacerbate health risks and costs. Furthermore, companies face increasing reputational risks from consumers, investors, and other stakehol-ders if they appear to delay or block effective climate policy. Of particular concern is Linde's membership in – and claims of policy alignment with – a trade association that has actively lobbied against greenhouse gas emissions legislation, and Linde's membership in the American Fuel and Petrochemical Manufacturers Association (AFPM). In contrast, one of Linde's peers in the chemicals industry evaluated and disclosed the AFPM's misalignment with the Paris Agreement, as well as disclosed mitigation steps that the company will take to address the identified misalign-ment. Linde made the decision to omit the shareholder proposal "Report on Corporate Climate Lobbying in Line with Paris agreement" from the 2023 AGM agenda. This decision was excused because of a technicality – that the filing shareholder failed to attend the 2022 AGM when the proposal was filed.
  We believe that Linde's shareholders would benefit from increased transparency on how Linde's lobbying activities align with the GHG reductions needed to attain the goals of the Paris Agreement. At the time of voting, Comgest felt that by omitting this proposal, Linde was neglecting an important part of the future sustainability of the company. In his capacity as Chair of Linde's Nominating and Governance Committee, Joe Kaeser is responsible for government affairs and political activities. In this capacity, Comgest could not support his re-election until/unless concerns regarding the alignment of political activity and the Paris Agreement were addressed.
- **Outcome:** Pass (Dissent Level: 10.2%)

ESSILORLUXOTTICA: VOTE AGAINST MANAGEMENT (AGM, 30-APR-24)

– **Approve Remuneration Policy of Chairman and CEO** (**Outcome:** Pass – Dissent Level: 27.3%)
– **Approve Remuneration Policy of Vice-CEO** (**Outcome:** Pass – Dissent Level: 24.7%)

- **Rationale:** Comgest's voting policy recommended a vote against the remuneration policy for the following reasons: 1) for the second year in a row, the CEO's remuneration substantially increased without any significant rationale compared with the previous year; 2) the significant raise of the Vice-CEO's package was not convincing; and 3) despite the proposed improvements compared to the previous year, improvements proposed were not outweighed by the lack of rationale surrounding the proposed compensation increases for both executives.

  We engaged with EssilorLuxottica as part of their pre-AGM governance roadshow, in order to gain more information before making our voting decisions. We expressed our concerns on the amount of proposed pay increase for its executive management, while noting that there have been several technical improvements made to the remuneration structure. The company explained in detail how the remuneration policy should incentivise management to deliver over the next three years, during which time EssilorLuxottica aims to focus more on innovation.

  While we learned more about the company's rationale through our engagement, the pay was contentious given that it had increased significantly for the third year in a row and was disconnected from the pay of 80,000 employees. We ultimately decided to follow the recommendation of our policy and vote against the proposed remuneration policy.

Votes Against Comgest's Voting Policy

TENCENT: VOTE AGAINST COMGEST'S VOTING POLICY (AGM, 14-MAY-24)

– **Approve Issuance of Equity or Equity-Linked Securities without Pre-emptive Rights**

- **Rationale:** While our voting policy recommended that we vote against issuance of equity or equity-linked securities without pre-emptive rights, we decided to vote in favour of this resolution for the following reasons: 1) The company engaged with shareholders and confirmed adherence to HKEX listing rules, including the 20% maximum discount limit; 2) The extent of dilution was deemed to be low and in line with the company's history (indeed, over the past five years, the number of issued shares increased by just 0.2% per year); 3) Over the past few years, share issuances have been primarily used for incentive schemes to ensure talent retention, aligning senior management's interests with those of minority shareholders.
- **Outcome:** Pass (Dissent Level: 34.5%)

DISCO CORPORATION: VOTE AGAINST COMGEST'S VOTING POLICY (AGM, 21-JUN-24)

– **Elect Director Inasaki, Ichiro** (**Outcome:** Pass – Dissent Level: NA)
– **Elect Director Tamura, Shinichi** (**Outcome:** Pass – Dissent Level: NA)

- **Rationale:** While our voting policy recommended that we vote against the election of two Board members because of their age, we decided to vote in favour of these two resolutions for the following reasons: 1) both individuals attended 100% of last year's total 13 Board meetings, 3 Nomination Committee meetings, and 6 Remuneration Committee meetings; 2) we confirmed with a member of Disco's Investor Relations team that both remain very active and healthy, and more importantly are key Independent Outsiders who deeply understand Disco's unique corporate value and internal management systems (e.g. Disco's "Will" Individual Managerial Accounting System) which are critical to conducting the annual evaluation of the CEO as members of Representative Executive Officer Evaluation Committee composed entirely of Outside Directors.

TOYOTA INDUSTRIES: VOTE AGAINST COMGEST'S VOTING POLICY (AGM, 11-JUN-24)

– **Elect Director Onishi, Akira**

- **Rationale:** We voted for the nominee, Akira Onishi, current Vice Chairman, despite our voting policy recommendation to hold him responsible for violations of the regulation on the certification of emissions performance data.

  Our vote was first and foremost motivated by our engagement with the company on this subject in March 2024, which led us to consider that the company had presented a set of appropriate corrective measures to remedy the situation. In March 2023, Toyota Industries made public that it had violated some regulations in the domestic certification of certain industrial engines (forklift, construction machinery) regarding their emissions performance. The company consequently announced that it would stop the shipment of these engines and launch an independent investigation by a Special Investigation Committee. Following the release of the investigation results in January 2024, our Analysts asked the company for a meeting to discuss these certification irregularities. Our intention was to evaluate not only the impacts and remaining financial risks for Toyota Industries, but also the meaning and implications of the controversy in terms of the organisation, management and corporate culture of the company. This is especially important given that the Toyota group has long represented a reference or benchmark in terms of best management practices, which have historically been imitated not only by peers within their industry but across many sectors. Following our discussion with their Investor Relations Manager, our impression was that the company has handled the issue properly and is taking the right steps to remedy the situation. It appears that they are striking an appropriate balance between recognising their flaws, reinforcing company compliance processes and ensuring the preservation of traditional competitive advantages, including excellence in production, creativity and product development speed. Regardless, we will continue to monitor the execution of their "recurrence prevention measures". We also took the opportunity at the meeting to ask about Toyota Industries' commitment to submit carbon reduction targets to the Science Based Target initiative (SBTi).

  Secondly, while the candidate's mandate will no longer be that of a representative director, his experience and knowledge of the company remain valuable to the Board, in our opinion.
- **Outcome:** Pass (Dissent Level: 21.0%)

TOYOTA INDUSTRIES: VOTE AGAINST COMGEST'S VOTING POLICY (AGM, 11-JUN-24)

– **Elect Director Ito, Koichi**
- **Rationale:** We voted in favour of the nominee, Koichi Ito, current President, despite our voting policy recommendation to hold him responsible for poor capital allocation and the insufficient level of profitability of the company (ROE). As the candidate was only appointed to the Board in 2023, it seems to us that he cannot yet be judged on the basis of these indicators. Furthermore, the company presented a new medium-term ROE objective of 8% this year, which we deem satisfactory. The company was also considering reducing its cross-shareholdings. We therefore supported the candidate for the implementation of these objectives.
- **Outcome:** Pass (Dissent Level: 14.2%)

Shareholder proposals

ALPHABET: VOTE FOR SHAREHOLDER PROPOSAL (AGM, 7-JUN-24)

– **Approve Recapitalisation Plan for all Stock to Have One-vote per Share**
- **Rationale:** We supported this resolution as it would convey to the Board that non-affiliated shareholders would prefer a capital structure in which the levels of economic ownership and voting power are aligned.
- **Outcome:** Fail (Dissent Level: 31.4%)

– **Report on Climate Risk in Retirement Plan Options**
- **Rationale:** While the company offers an option to employees that want to invest more responsibly, it was unclear how well employees understand the retirement plans available to them. The information requested in the report would not only complement and enhance the company's existing commitments regarding climate change, but would also allow shareholders to better evaluate the company's strategies and management of related risks. We therefore voted in favour of this report.
- **Outcome:** Fail (Dissent Level: 6.6%)

AMAZON: VOTE FOR SHAREHOLDER PROPOSAL (AGM, 22-MAY-24)

– **Commission Third Party Assessment on Company's Commitment to Freedom of Association and Collective Bargaining**
- **Rationale:** As shareholders, we felt we would benefit from increased transparency and disclosure on how the company manages human rights-related risks, particularly regarding freedom of association and collective bargaining rights.

  We thought the assessment should address management non-interference when employees exercise their right to form or join a trade union as well as steps to remedy any practices inconsistent with Amazon's stated commitments. Amazon has faced "overwhelming negative media coverage in the US and internationally accusing the company of interfering with workers' exercise of their rights through anti-union tactics including allegations of intimidation, retaliation and surveillance". While Amazon published a report on its human rights commitment in 2022, the company still fails to explain whether and how the company's policies and practices align with international human rights standards. An independent assessment would help investors assess Amazon's adherence to its human rights commitments and could help mitigate reputational and operational risks that could negatively impact Amazon's long-term performance.

  The company has been under scrutiny regarding freedom of association, as well as high turnover and injury rates in its domestic warehouse operations. Articles in the press have highlighted instances of anti-union activities, including coercing and intimidating workers and retaliating against those who seek to organise.

  We believed shareholders would benefit from increased transparency in how the company is managing human rights-related risks, especially freedom of association rights. An independent report may help to evaluate the substance of Amazon's claims on the subject.
- **Outcome:** Fail (Dissent Level: 31.8%)

AMAZON: VOTE FOR SHAREHOLDER PROPOSAL (AGM, 22-MAY-24)
– **Commission a Third Party Audit on Working Conditions** ▪ **Rationale:** Concerns were raised regarding recent work-place related violations, which led to negative media attention. Given the potential reputational risk for the company, an independent third-party audit appeared reasonable at the time. Additionally, results from an independent audit may address the inconsistencies between the statistics cited by the proponent and the injury rates reported by the company, which would allow shareholders to better evaluate the company's efforts to address workplace safety. Therefore, we decided to support this resolution. ▪ **Outcome:** Fail (Dissent Level: 31.2%)

CLOSING REMARK

Stewardship has always been integral to Comgest's investment approach, and we remain committed to engaging and reporting on our stewardship activities as part of our fiduciary responsibility to clients. Further reports, policies, affiliations and membership details can be found on the **ESG** section of ***comgest.com*** under "***Our Policies***" and "***Our Commitments***".

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