

## DIVERSITY: THE FUEL THAT POWERS AN INCLUSIVE ENGINE

*“If you want to go quickly, go alone, but if you want to go far, then go together.”*

– African proverb



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Today’s clients want their investments to produce both an authentic positive impact and return.<sup>1</sup> Many asset managers understand this and have made environmental, social and governance (ESG) topics a priority in every research and client meeting. But as these asset managers and clients advocate for improved ESG standards, various industries continue to lack some of the very criteria being endorsed. As current statistics show, one of the main areas of continuing weakness is diversity.

Comgest believes diversity facilitates inclusion and drives financial performance – both within our own firm<sup>2</sup> and in the companies in which we invest. Many studies have shown that collaborative decision-making and collegial teams are strengthened by diversity and inclusive (D&I) behaviour, which may help to mitigate risks and lead to better decisions.

We believe there is a moral imperative to promote, defend and, wherever possible, take constructive steps towards equal opportunity for all. Having certain beliefs as an individual or as a group should not restrict the opportunities of others. There can always be a level of tension, friction or energy between people as we interact. We view this as the “fuel” that engages investors. Thinking back to a physics lesson, capturing and directing this fuel should drive forward motion – in terms of D&I, we refer to this as igniting the “engine of inclusivity”.

The ability to capture and ignite this “fuel” requires a common purpose and mission within a shared culture. Comgest captures this fuel within our shareholder structure, which we consider a broad partnership wherein all employees – regardless of their title – may become shareholders based on meritocratic foundations.<sup>3</sup> For us, this fosters a strong team spirit and sense of shared responsibility that we believe is valuable to the longevity of our culture and values.

More than 35 years on, our partnership – Comgest’s “engine” – has grown from our original two founders to over 200 colleagues with over 30 nationalities represented, based around the world and coming from all walks of life. As partners, we share in the rewards and the risks with a common purpose to belong, collaborate, and grow with equal opportunities.



<sup>1</sup> Fabrizio Palmucci, CFA and K. Koldemir; “ESG Asset Managers: Define the Why.” CFA Institute, 24 August 2021. (<https://bit.ly/3mV03h2>)

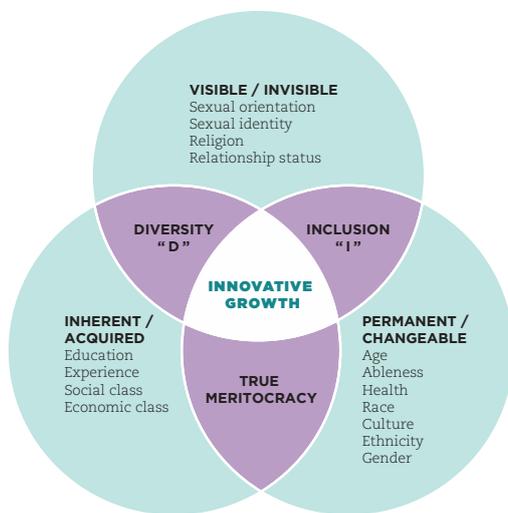
<sup>2</sup> Comgest Global Investors, S.A.S. is the holding company for the Comgest Group which includes six asset management companies: Comgest, S.A. (Paris), Comgest Far East Ltd (Hong Kong), Comgest Asset Management International Ltd (CAMIL)(Dublin), Comgest Asset Management Japan Ltd (Tokyo), Comgest Singapore Pte Ltd (Singapore) and Comgest US LLC (Boston). Comgest also has the following service locations: Comgest Deutschland GmbH (Düsseldorf), Comgest Benelux B.V. (Amsterdam), Comgest Australia Pty Ltd (Sydney), as well as offices of CAMIL in London, Milan and Brussels.

<sup>3</sup> Employees are typically given the opportunity to become shareholders after two years with the firm. The decision to allocate equity is based on an individual’s sustained performance, seniority and overall contribution.

In this paper, we'll outline what we mean by D&I, its link to corporate culture, what biases a firm needs to navigate, what the risk mitigation effect in investment teams is, and using some empirical evidence, we'll illustrate how it leads to better decisions. Despite such benefits, the paper will also demonstrate just how much more work we, as an investment industry, must do.

Our investment philosophy has always incorporated elements of ESG research, as we believe that these factors enable a "quality" business to maintain or strengthen its competitive advantages and to consistently compound its growth in earnings over the long term. To this end, Comgest uses D&I as a research-driven insight within our ESG research process, and we'll elaborate on this, as well as the progress of some of our investee companies and evidence to support the need for their D&I embrace. We conclude with a Comgest scorecard summarising our own D&I efforts and progress.

Figure 1. Enablers of Innovative Growth



Source: Comgest

## WHAT ARE WE TALKING ABOUT?

People, especially in the asset management industry, tend to regularly throw around the term **diversity**, which on its own is rather meaningless. When viewed as a "fuel", however, we think it can prove to be priceless – if combined with an **inclusive** engine and **true meritocratic culture**, where everyone's contribution is valued. As illustrated by *figure 1*, any strict definition of D&I would compartmentalise its nature, which is why a holistic view is required to appreciate its multiple dimensions (e.g., visible/invisible, inherent/acquired, permanent/changeable) such as gender identity, age, sexual orientation, ableness including mental health, education, race, ethnicity, religion, socio-economic class, marital status, etc.

Perhaps people are not born to be inclusive. The phrase "survival of the fittest", either individually or within our "tribes", seems to have become ingrained in the human psyche, thereby inhibiting total inclusivity. It is easy to gravitate towards those that most resemble our way of thinking, culture or language, and this can compound homogeneity (i.e., an "affinity bias").<sup>4</sup>

When minorities cluster it is acutely noticed, whereas majorities or "insider/cliq" group clustering is considered normal and often goes unnoticed.<sup>5</sup> In an office setting, this societal dynamic is further complicated by organisational and hierarchical structures. The problem is made even harder by office politics, career-limiting moves (i.e., something that affects your professional reputation), divisiveness, being perceived as a "martyr" for a minority tribe, and even runs the risk of lost friendships.

Comgest's roots lie in France, but after more than 30 years, we've built a global partnership that stretches across 12 countries and four continents. So how do we keep our engine humming?

## CHECKING THE OIL: AN INEXTRICABLE LINK TO CULTURE AND VALUES

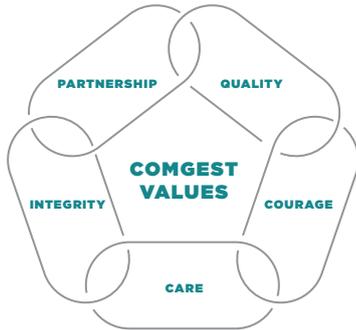
As bottom-up fundamental stock pickers we believe great companies can come from anywhere, and that no single geography or industry has a monopoly on transformative and innovative ideas. In its simplest form, Comgest is just that: a business of ideas generated by people (our most important asset). The more diverse we are, the richer the opportunity set becomes for the benefit of our clients whom we serve across the global economy – where just demographic change in our client base alone necessitates the need for even greater D&I.

A culture of inclusiveness has been built over three generations, starting with our founders who viewed company hierarchy – regardless of tenure, age or experience – as a barrier to open and collaborative entrepreneurialism. They focused rather on promoting autonomy and respecting individuality, valuing team work above individual achievement. As employee-owners we have a singular, cohesive purpose around a core set of **five Comgest values**, as noted in *figure 2*, that inspire us to continually seek to improve, collaborate, speak up, reward courage

<sup>4</sup> "11 Harmful Types of Unconscious Bias and How to Interrupt Them", Catalyst, 2020 (<https://bit.ly/3aDWypF>).

<sup>5</sup> Kaplan, Mark. *The Inclusion Dividend: Why Investing in Diversity & Inclusion Pays Off*, Bibliomotion; 1st edition (May 21, 2013)

Figure 2. Our Values



Source: Comgest

and show care – towards our work, clients, one another and society at large.

The formation of these values encapsulated Comgest’s aspiration for inclusivity in that they were built bottom-up, meaning that everyone would be responsible for realising their own role in advancing diversity. To begin the project, all employees were invited to submit what they regarded as cornerstones to their personal belief systems. The results of this collaborative exercise were aggregated, formalised, and structured into what has become the pillars of our corporate purpose – our values.

If Edgar Schein (a father of “corporate culture”) is correct then culture is based on assumptions which are influenced by unconscious thoughts, beliefs, perceptions, and feelings (e.g., equality, fairness).<sup>6</sup> Openness, transparency, patience, collaboration, open mindedness, forgiveness, differentiated thinking, and tolerance are just some “assumptions” that

Comgest tries to foster by encouraging mutually respectful discussions without fear of reproach or recourse. This allows for tough debates on uncomfortable topics. In our view, any topic should be able to be respectfully debated, and never considered taboo or “eggshell territory”.

There are a myriad of examples at Comgest where we try to emulate this:

- Group-wide, virtual **Tuesday meetings** where we communicate both formal and informal updates on all matters and allow for interactive questions and answers.
- The **Board of Partners**, which was formed to ensure a broad representation of all shareholders in terms of gender, nationality, independence and long-term employees from our portfolio management and operations teams.
- Group-wide **offsites** (bringing together teams from our global offices) – whether investment or operations, encourage bonding, open team assessments, including ongoing work and priorities as well as future development.
- The **portfolio management annual investment team offsite** acts as both an opportunity to bond with our colleagues as well as a platform for self-appraisal of our processes, research, tools and performance (e.g., our internal “rolling 3-year diagnostic report”). In presenting the results of the offsite to the Group, the team invites critiques from Comgest’s broader partnership. While offsites are preferably held in person, they have continued during Covid via video.
- **Global Fight Club**: Comprising the entire investment team, everyone gets into the “ring” to actively contest one another’s opinions, views, and investment recommendations in a fun collegial setting. During our 2019 semiconductor match, each regional team advocated for where, on the semiconductor supply chain, they thought the best place would be in terms of investment. While the Asian and Global investment teams were foundry fans, the Japan team stuck by materials and the Europe team focused on tools. Given 2020’s supply chain challenges, conversations such as these allow us to get an overall picture of our investment opportunities and challenges. In all our matches, we like to think that the Global team wins with knockouts – because we can harness the best ideas from any region!

Figure 3. The Comgest Fight Club



Source: Comgest

## HITTING THE THROTTLE: UNCONSCIOUS AND CONSCIOUS FUEL

No one wants to believe they’ve made a prejudiced decision, which in decision-making could lead to “self-fulfilling prophetic” outcomes. According to authors Daniel Kahneman and Malcom Gladwell, “90% of all decisions we make are either ‘system 1’ or ‘thin-sliced’ decisions”. This means that in seconds we leverage our stereotypes, misinformation, biases and life experience to make rapid judgements and supposedly “accurate” decisions.<sup>7</sup>

<sup>6</sup> For further information on Edgar Schein, see <http://www.scheinocli.org/>.

<sup>7</sup> Daniel Kahneman, *Thinking Fast and Slow* (Farrar, Straus and Giroux; 1st edition; 2011), pp. 512; and Malcolm Gladwell, *Blink: The Power of Thinking without Thinking* (Back Bay Books; 1st edition, 2007), pp. 288.

The proof points on such decision-making are abundant:

- Although hiring managers state that they spend five minutes reviewing CVs, the reality is just 7.4 seconds, with the first item seen being the name. 6.4 seconds are spent on the remaining information – with a preconceived, unconscious bias of name association. A 2003 U.S. study illustrated that a perceived “white” name, versus those of perceived “black” names, would increase interview chances by 50%.<sup>8</sup> In France, a 2013 study showed that discrimination against immigrant applicants in hiring averages about 40%, and tends to be targeted towards names perceived to be of North African or Arabic in origin.<sup>9</sup>
- In Western cultures, young employees are seen as “inexperienced yet entrepreneurial” (especially in tech fields), while older employees are seen as “less flexible and out of date”. Conversely, in some Eastern cultures advanced age can be viewed as “wise, competent and trusted”. There is no reason that any of these generalisations are true.<sup>10</sup>
- Another study observed that in over 400 mutual fund pitches with on average a 25-page presentation, men were interrupted on page 18 whereas women were interrupted on page 3.<sup>11</sup>



Source: Ladders

### KEEP THE ENGINE FROM SPUTTERING: DON'T IGNORE WARNING LIGHTS

People often find excuses for avoiding a diversity discussion. “We’re born colour blind; we only see difference because it’s brought up.” “Anyone who works hard gets rewarded, why highlight difference when we want a unified team?” “Are similarities not important?” “All lives matter.” “The most important thing is diversity of thought (a/k/a cognitive diversity).” These types of phrases circumvent the actual issue and are not constructive to the discourse.

Cognitive diversity is the inclusion of people who have different ways of thinking, viewpoints and skill sets in a team or business group.<sup>12</sup> Yes, it is possible to have a team where the members look the same but think differently. Likewise, it is possible to have a team that looks different but thinks the same.<sup>13</sup> **But viewing cognitive diversity as the ultimate goal misses the point in the many iterations of a team.**

In our view, cognitive diversity is a rather lazy understanding of what causes differentiated thinking. It is important, but each of our thoughts are affected by our genes, social circles, life experiences and “tribe” associations – the old “nature versus nurture” debate.<sup>14</sup> While old “tribes” may have been built on sameness and exclusion, modern “tribes” can promote diversity as beneficial to collaboration, be interlinked with other tribes, enabling multifaceted, extended networks. High team cognitive diversity is 66% more productive precisely because they generally have such diversity enablers among their members.<sup>15</sup> In this way, diversity of thought is shown to be a natural outcome of diversity itself.

By challenging our own perspectives, we build trust with those with whom we normally wouldn’t collaborate. Harvard University’s Project Implicit, begun in 1998,<sup>16</sup> has found that unconscious bias can be reduced by repeated exposure to members of supposed outsider groups “at your level or a higher level of authority” within an organisation. Effectively, we must get out of our comfort zone.

Figure 4. Sample Diversity Question by PwC and the CFA Institute



Source: Source: CFA Institute (<https://bit.ly/3g9Tvbo>)

<sup>8</sup> Marianne Bertrand and Sendhil Mullainathan, "Are Emily and Greg More Employable than Lakisha and Jamal? A Field Experiment on Labor Market Discrimination", NBER Working Paper No. 9873, July 2003. (<https://www.nber.org/papers/w9873>).  
<sup>9</sup> Anthony Edo and Nicolas Jacquemet. "Discrimination à l'embauche selon l'origine et le genre: défiance indifférenciée ou ciblée sur certains groupes ? (EN: "Discrimination in hiring according to origin and gender: simple distrust or targeted at certain groups?")", *Économie et Statistique*, N° 464-465-466, 2013 (<https://bit.ly/3aPsqrX>).  
<sup>10</sup> Christin-Melanie Vaclair et al., "Are Asian cultures really less ageist than Western ones?" *Int J Psychol.*, Apr. 2017; 52(2):136-144. (Epub 2016 Jul 4.; <https://pubmed.ncbi.nlm.nih.gov/27374765/>).  
<sup>11</sup> David Young, *Diversity in Investment Management* January 2020, River Partnership.  
<sup>12</sup> Janine Schindler, "The Benefits of Cognitive Diversity", *Forbes*, Nov. 2018. (<https://bit.ly/3v5sxZ3>).  
<sup>13</sup> Michael Mauboussin and Dan Callahan, "Building an Effective Team", *Credit Suisse*, (2014 Jan.). (<https://bit.ly/3BAg2Y3>).  
<sup>14</sup> Paola Scommegna, "It's Nature and Nurture: How Our Genes and Our Friends Shape the Way We Live Our Lives", *PRB*, 2019. (<https://bit.ly/3FieL3j>) and Celia de Anca and Salvador Aragón, "Diversity and Tribal Thinking in the Collaborative Organization", *Reinventing the Company in the Digital Age* (BBVA), 2015. (<https://bit.ly/3FF5VU6>).  
<sup>15</sup> Karim Morgan Nehdi, "The Most Important Talent Management Idea in 2020", *Herrmann*, 2020. (<https://bit.ly/3v9zsR1>).  
<sup>16</sup> <https://implicit.harvard.edu/implicit/aboutus.html>.

## DIVERSITY & INCLUSION MAKE FOR AN ENGINE THAT PURRS

Homogeneous “groupthink” runs the risk of herding,<sup>17</sup> much like we experienced in the 2008 financial crisis where investors “failed to consider all risks and the full range” of outcomes, and many bank insiders reported risks, but were ignored.<sup>18</sup> This was all while Michael Burry, a self-proclaimed “outsider” given his Asperger syndrome, collected around US\$1 billion as a contrarian short-seller of collateralised debt.<sup>19</sup> Indeed, “price bubbles arise not only from individual errors or financial conditions but also from the social context of decision-making” as shown by a study in which ethnic homogeneity exacerbated price bubbles, creating more severe crashes.<sup>20</sup>

Olivier Sibony<sup>21</sup>, who wrote “Learn to decide again,” lays out frameworks for effective dialogue to avoid groupthink pitfalls and encourages diversity, decentralisation, use of a devil’s advocate, and a culture of “Speak Up” where attracted talent has a real voice.



Source: Comgest, as of 31-Dec-2021.

Applying this framework to **Comgest’s broad partnership**, in which we all take ownership and responsibility for our actions and decisions in a transparent and decentralised fashion, means that we can build trust and have the freedom of autonomy. “Comgest-ians” of all levels embrace continuous improvement – identifying our mistakes, learning from them and sharing those lessons – epitomising Nelson Mandela’s mantra “*each one, teach one*”.<sup>22</sup>

At Comgest, we understand that authentic disagreement stimulates a consideration for more information and alternatives to a problem – resulting in better performance,<sup>23</sup> which is why a ‘grumpy’ devil’s advocate requires **courage** (one of our five key Comgest Values) to speak up. Being the devil’s advocate is never easy,<sup>24</sup> even if better and more innovative idea generation results. A recent example of this was when certain investment team members suggested that some Chinese investment ideas, i.e., those unaffected by 2021 regulatory headwinds but which suffered from wider sentimental contagion fear, actually represented attractive investment opportunities for the long term.

## BACK-SEAT DRIVERS WANTED FOR OPTIMAL NAVIGATION

A homogeneous team may feel effective because collaboration seems so easy. In contrast, a **diverse team** with conflicting and challenging views may feel ineffective but studies show that they do tend to **produce better outcomes**. This is because the decision process is decidedly harder.

### Sum of “individual parts” exceeds the whole, especially with unmodelled future synergies

Academic research illustrates the power of collective team-based wisdom exceeding the sum of its individuals where collective team-based errors are always less than the average of individual team member errors.<sup>25</sup> Portfolio management (PM) teams of 3–5+ members have shown to add 18–47 bps excess alpha versus that of single PM-driven strategies.<sup>26</sup> In addition, collective team intelligence is not strongly correlated with either the average intelligence of individual members or with having a super-smart star manager or member. Indeed, super-smart “experts” on a subject may tend to talk more during research team meetings, but there is no evidence that teams with these “experts” are any more accurate than those without them.<sup>27</sup>

### Diversity of “individual parts” enhances decision-making and potentially returns

A 2016 report by the Harvard Business review notes that adding an “outsider” may bring more tension, but it statistically doubles a team’s chances of arriving at the correct answer.<sup>28</sup> This makes intuitive sense as a diverse

<sup>17</sup> In behavioural finance, herd mentality bias refers to investors’ tendency to follow and copy what other investors are doing. (Investopedia; <https://bit.ly/3mGstLG>).

<sup>18</sup> Robert J. Shiller, “Challenging the Crowd in Whispers, Not Shouts”, The New York Times, 2008. (<https://nyti.ms/3iYwcDd>).

<sup>19</sup> CNBC (<https://cnb.cx/3lxjXdS>).

<sup>20</sup> Sheen S. Levine et al., “Ethnic Diversity Deflates Price Bubbles”, PNAS, 111(52):18524–18529; Nov. 2014. (<https://bit.ly/3awOS8l>).

<sup>21</sup> Olivier Sibony. “Réapprendre à décider: Et si choisir les stratégies gagnantes était un vrai sport d’équipe...”, Nouv Débats Pub., 2015. (<https://amzn.to/3lrA554>).

<sup>22</sup> Mandela, Nelson. Long Walk to Freedom: The Autobiography of Nelson Mandela. Boston: Back Bay Books, 1995.

<sup>23</sup> C.J. Nemeth, et al. “Improving decision making by means of dissent.” 2001. Journal of Applied Social Psychology, 31(1), 48–58; 2001. (<https://bit.ly/2YZIZ1x>).

<sup>24</sup> Levine, J.M. “Reaction to opinion deviance: Impact of a fence straddler’s rationale on majority evaluation”, Social Psychology Quarterly, 43:73–81, 1980; Schachter, S. “Deviation, rejection, and communication.” Journal of Abnormal and Social Psychology, 46:190–207, 1951.

<sup>25</sup> Scott E. Page. The Difference: How Diversity creates better groups, firms, schools and societies, Princeton University Press; 1st edition, (2008).

<sup>26</sup> Saurin Patel and Sergei Sarkissian, “To Group or Not to Group: evidence from Mutual Funds”, McGill Univ., 2013. (<https://bit.ly/3DzWIKZ>).

<sup>27</sup> Timothy M. Franz and James R. Larson Jr., “The Impact of Experts on Information Sharing During Group Discussion”, Small Group Research, 33(4), August 2002. (<https://bit.ly/3DrSLIm>).

<sup>28</sup> David Rock et al., “Diverse teams feel less comfortable and that’s why they perform better”, Harvard Business Review, 2016. (<https://bit.ly/3vabv5P>).

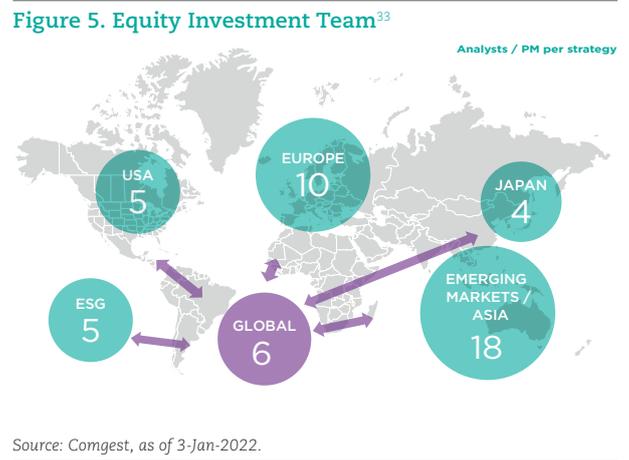
team has broader knowledge and is likely to be more creative and imaginative in their problem solving. Academic and empirical evidence are vast, and while correlation is not causation, the trends and data are hard to ignore, as illustrated below.

Date	Trends	Attribution
2018	“Mixed-gender teams produce three-year returns that are 4.3% higher on average than the returns of female-only teams. Mixed teams also outperform male-only teams by 0.5% over the same timeframe.”	Citywire <sup>29</sup>
2019	Private equity and venture capital funds, which were gender-balanced (30%-70% female in leadership roles) had significantly better (20% higher) IRRs. <sup>30</sup>	Oliver Wyman <sup>31</sup>
2020	“At a minimum, diversity does not hurt returns. Diversity and performance outcomes show that investment teams with diversity, in particular ethnic diversity, tend to generate better excess returns”.	Willis Towers Watson (WTW) <sup>32</sup>

Comgest views our diversity and broad range of experiences, skill sets and ideas as a key to our success. As of January 2022, we have 50 analysts and portfolio managers, of 15 nationalities, who comprise our overall investment team, which is then broken down into global, regional and country teams. 30% of our analysts and portfolio managers are women, which compares to an industry average of 11.8%.<sup>34</sup>

All of our investment professionals are generalists across all sectors (and geographies, in the case of the Global Equity team), which we believe is crucial to ensure objectivity, sufficient challenge, and a broad knowledge of subject matter as an enabler of rigorous debate. Comgest’s research-led and team-based investment approach helps drive our usual collegial collective decision-making.

The Global team, of which I am a member, aims to harness the very best ideas compiled by 42 of our regional and country investment specialists (see figure 5). This means all teams, global included, have the best of all worlds, i.e., we all collaborate, debate and synergistically leverage one another’s research in a symbiotic way as equally incentivised partners, while still maintaining flexibility and efficiency within each of our individual teams to manage our investment portfolios and processes.



Comgest values the diversity of independent opinions (as individuals, within our teams and as one overarching team), within our autonomous partnership structure. Consequently, reaching a collective decision – the best kind from our point of view – becomes relatively easy after applying our distinct processes, structure, defined values and culture. During our weekly team meetings, for example, we spend around 90% of our time reviewing research, debating, and deliberating – with just 10% on investment moves once the “best” decision has been made.

Although diversity is an imperative, especially for idea generation, so too is stability of a team. As investors with different backgrounds and experiences, we try to learn each other’s strengths and weaknesses, figure out how to better work together and appreciate our shared goals, which produces richer and easier decision-making in the long term. Our annual comprehensive portfolio review, touched on earlier, is held at offsites and brings all analysts and portfolio managers together to share failures and successes while ensuring consistency of approach. We bare all: dissecting mistakes, performing post-mortems, critiquing and congratulating – all in the vein of encouraging collective learning as well as distinguishing luck from long-term hard work and skill.

### ASSET MANAGEMENT INDUSTRY: IN DIRE NEED OF A TUNE-UP

The most enduring principle of investing is diversification, yet it is often absent from team construction despite, regulations such as the European Union’s Markets in Financial Instruments Directive (MIFID II),<sup>35</sup> which spells

<sup>29</sup> “Alpha Female Report 2018”, Citywire, 2018. (<https://bit.ly/3FG0FQf>).  
<sup>30</sup> The internal rate of return (IRR) is the annual rate of growth that an investment is expected to generate. (<https://bit.ly/3DCIO61>).  
<sup>31</sup> Julia Hobart, Samir Misra and Dominik Treck. “Moving Toward Gender Balance in Private Equity and Venture Capital”, Oliver Wyman, 2019. (<https://owy.mn/3mRhFKC>).  
<sup>32</sup> “Diversity in the asset management industry”, Willis Towers Watson, 2020. (<https://bit.ly/3awet1t>).  
<sup>33</sup> This figure excludes two quantitative analyst/portfolio managers.  
<sup>34</sup> Angus Foote. “Alpha Female 2021: Just 11.8% of portfolio managers are women... and that’s an improvement,” Citywire, 13-Sep-2021. (<https://bit.ly/3ARMMLh>).  
<sup>35</sup> “Understanding the diversity requirements in CRD IV and MiFID II”, Linklaters, June 2018. (<https://bit.ly/31kNxR5>).

out the benefits. Statistics, surveys and studies show the glaring imbalance towards women and minorities:

DATE	SPECIFICS	ATTRIBUTION
2016	"African Americans and Latinos made up just 8.2% of total senior managers despite representing 28.4% of the U.S. working population."	The Roosevelt Institute et al. (U.S.) <sup>36</sup>
2017	"Women and people of color [in the US] manage only 1% of the \$71 trillion in US assets under management."	HBS, Knight Foundation, Bella Research Group (U.S.) <sup>37</sup>
2019	"Woman account for just 14% of 25,000 fund managers across 56 countries... a level unchanged since 2000."	Morningstar <sup>38</sup>
2019	"Fewer than 1% of investment managers are black [vs 3% UK population / 13% London population]."	The Investment Association (U.K.) <sup>39</sup>
2020	52% of 44 (out of 100) global fund managers confirmed that race is seen as the least important diversity factor to evaluate, whereas gender was highly ranked.	Redington (U.K.) <sup>40</sup>

In the last five years, gender diversity has seen just shy of a 1% increase in the number of female portfolio managers to now reach 11.8%,<sup>41</sup> while the average mean pay gap for investment management was found to be 31% in 2019.<sup>42</sup> At this rate it will take 200 years to reach a 50/50 equilibrium (in line with the global population).

The pay gap can also exist beyond gender lines. There is a glaring unjustified difference in the UK, for example, where people from working-class backgrounds earn a quarter less each year than those with professional backgrounds,<sup>43</sup> and financial insecurity is concentrated among many "outsider" groups such as women, black and ethnic minorities, and people in poorer regions.<sup>44</sup> Considering that financial insecurity breeds anxiety and poor mental health (another dimension of diversity "ableness"), it's easy to see a downward and somewhat unescapable spiral.

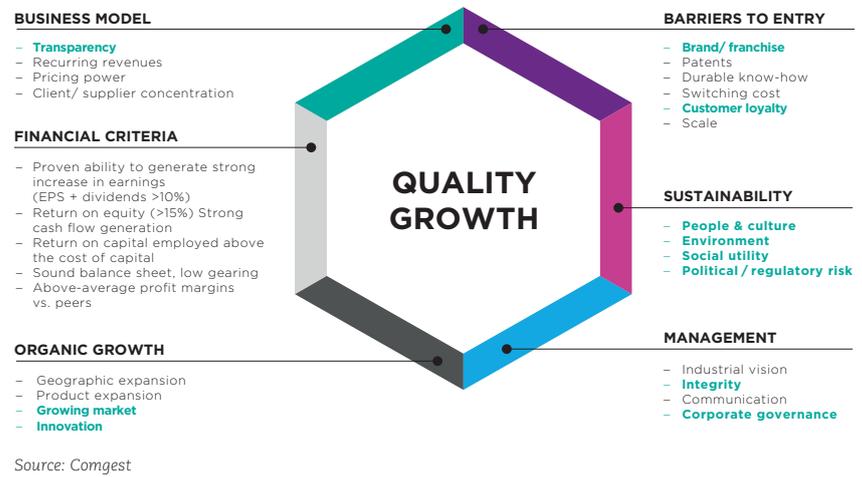
## RESEARCH-DRIVEN INSIGHT: AVOIDING BLIND SPOTS

Making a profit is not the only purpose of a company and perhaps an "old school" paradigm. Today's society is looking beyond the financial and this is acutely true of our future clients – millennials and Gen Z, who are feeling uneasy about the future after being shaped by the digital revolution and political upheavals.<sup>45</sup> At Comgest, our definition of Quality Growth takes into account the non-financial aspects of a business model, which helps us to determine whether a business has a long-term, sustainable **social utility**.

In our view, the cornerstone of delivering **sustainable** growth is enabled, amongst other things, by high standards of governance, leadership and incentivisation of a company's **Management**.

In our view, human capital and D&I are material for any enterprise,<sup>46</sup> especially where intellectual capital is a

Figure 6. Our Selection Criteria – ESG Is Built In, Not Bolted On



<sup>36</sup> Talia L. Schank, "Casting the Wider Net: Increasing opportunities for minority and woman owned asset managers in institutional investments", The Roosevelt Institute, The ReFund America Project, and Service Employees International Union (SEIU), 2016. (<https://bit.ly/2YJH3KB>).

<sup>37</sup> Prof. J. Lerner et al., "Diverse Asset Management Project Assessment", Harvard Business School (HBS) and Bella Research Group, 2017. (<https://bit.ly/3v7ReEe>).

<sup>38</sup> Laura Lалlos, "Women in Investing: Morningstar's View", 2020. (<https://bit.ly/3mQmGDj>).

<sup>39</sup> "Black Voices: Building black representation in investment management", The Investment Association (UK), 2019. (<https://bit.ly/3oWvJpQ>).

<sup>40</sup> Nick Samuels et al., "Investing Responsibly: Responsible Investment Survey 2020", Redington (UK), 2020. (<https://bit.ly/3FivL9S>).

<sup>41</sup> Alpha Female Report 2021, Citywire, 2021. (<https://bit.ly/3phhSKd>).

<sup>42</sup> "Mind The Gap: Investment Management Community Needs To Apply More Than Just Lip Service To Pay Equality", PwC and The Diversity Project, 2019. (<https://bit.ly/3j1nrhH>).

<sup>43</sup> "Tackling the Class Ceiling: Recognising Potential over Polish", The Investment Association (UK), 2019. (<https://bit.ly/3oYqRzw>).

<sup>44</sup> "The Gig is Up: Trade unions tackling insecure work", Trades Union Congress (UK), 2017. (<https://bit.ly/3j2p09g>).

<sup>45</sup> "The Deloitte Millennial Survey 2018", Deloitte, 2018. (<https://bit.ly/3ADWxmp>).

<sup>46</sup> Sustainable Accounting Standards Board (<https://www.sasb.org/>).

key competitive advantage driving innovation. Simple metrics such as an R&D budget alone are less powerful to gauge these drivers. What is important is not investing in “people” when times are good, only to then not invest when times are bad. Throughout this pandemic we have paid close attention to our investee companies’ strategic intent regarding employee retention, support and restructurings. Based on our experience, we know that long-term focused leadership and employee protection can offer future rewards. **MTU** and **Amadeus** (travel industry companies) have been front and centre during the Covid crisis, and while they have had little option but to cut costs, their management teams have aimed to avoid layoffs while strategically reducing their workforce via early retirement or voluntary departure schemes. **LVMH**, **Unilever** and **L’Oréal** are also examples of companies that we believe have acted and behaved as exemplary leaders in their Covid responses.<sup>47</sup>

Some business model nuances became evident during the pandemic:

- Family-run/-owned business models bring with them entrepreneurial drive, but need greater awareness of the benefits of D&I. Despite this, some of these businesses have embraced D&I, such as **L’Oréal**, **Heineken**, **Walmart**, and **Samsung**, which are all family-controlled multinational companies that have successfully embraced localisation, targeted product differentiation depending on market demographic, and identified new growth opportunities.
- “Build once, use globally” business models would never grow without localised insight for their interfaces, fashion trends and networks (e.g., Apple’s iPhone, Fast Retailing’s Uniqlo brand, Accenture’s consultants or Tencent’s internationalisation of gaming content).

More broadly, we have some examples of investee companies within our investment universe that invest in the “intangible” fruits of diversity, which we believe in turn drives direct or indirect growth<sup>48</sup>:

**AMADEUS**



**Microsoft**

**accenture**

- **Amadeus:** Their internationally diverse management team (versus Sabre, which is more US-focused) has, in our view, enabled them to win market share for nearly a decade.
- **Unilever:** As an emerging markets hygiene and personal care leader, they have more greatly embraced their need for localisation via D&I across all functions versus, we believe, peers.
- **Microsoft:** Their “Come as you are. Do what you love...” program<sup>49</sup> wherein D&I is core to their culture, has in our view enabled innovative designs for scalable products tailored to localised needs, including for disabled users of their interfaces. The company has come a long way since its lost decade where a “sales-first” culture destroyed innovation and client value-added delivery.
- **Accenture:** Their female CEO is, in our view, a cultural genesis of early inclusive programs supporting female software coders as far back as the 1950s, which has allowed for scope increases across clients.

## Integrated ESG Process

Comgest’s ESG research process encapsulates the investment teams’ focus on the benefits that diversity and inclusion can bring, mainly within the “S” and the “G” criteria, which form a key part of our due diligence:

- **Social:** We look to benchmark companies’ human capital management across talent acquisition, internal development, and retention/turnover (e.g., via Glassdoor).<sup>50</sup> A full evaluation of a company’s employee controversies or regulatory developments is also performed.
- **Governance:** Board diversity and independence across all lines, including gender are a key focus. We take pride in our engagements, particularly via proxy voting at AGMs, and make use of the Institutional Voting Information Service which reports on board diversity for companies in all countries.
- In terms of **Board leadership**, several studies corroborate our search for and the promotion of D&I within Governance: The addition of women to Boards has been found to decrease the likelihood that a company will suffer from financial reporting mistakes<sup>51</sup>, bribery, fraud

### OUR VOTES COUNT

As an example, we have repeatedly voted against the re-election of board members of Japanese companies for D&I reasons.

**Comgest promotes diverse Board nominations and expresses favourable votes if at least 30% of the board is female.**



<sup>47</sup> Sebastien Thevoux-Chabuel et al., “Shining a little more light: what companies’ behaviour during the pandemic can tell us about their ESG risks and culture”, Comgest, April 2021 (<https://bit.ly/3rgTPKN>).

<sup>48</sup> No discussion with respect to specific companies should be considered a recommendation to purchase or sell any particular security/ investment. The companies discussed do not represent all past investments. It should not be assumed that any of the investments discussed were or will be profitable, or that recommendations or decisions made in the future will be profitable.

<sup>49</sup> “Come as you are. Do what you love...”, Microsoft, 2018. (<https://bit.ly/3FSWnty>).

<sup>50</sup> [www.glassdoor.com](http://www.glassdoor.com)

<sup>51</sup> Aida Sijamic Wahid, “Effects & Mechanisms – Board Gender Diversity: Evidence in Financial Manipulation”, Journal of Business Ethics, 159:705–725 (2019). (<https://bit.ly/3aGXcCU>).

or shareholder battles.<sup>52</sup> Considering that 39% of CEO departures in 2018 were due to ethical issues, this is an eye-opening statistic.<sup>53</sup> Moreover, increased female Board presence has a measurable effect on environmental sustainability practices with higher likelihood of voluntary climate change disclosure.<sup>54</sup>

### Engagement on ESG

As owners of Comgest, we take stewardship seriously and this extends to the companies in which we invest. We believe that we can effect positive change through our ESG engagement practices. Our aim is to engage in a manner that reflects our corporate values – partnership, quality, integrity, care and courage – while generating the outcomes that we think will best serve long-term shareholders and broader society.

- We assess our investee companies’ reporting on the United Nations’ 17 Sustainable Development Goals (SDGs)<sup>55</sup>, including those specifically focused on diversity such as Goal 5: Gender equality; Goal 10: Reduction of inequalities; and Goal 16: Strong institutions based on inclusivity.
- Taking this one step further, we strive to move beyond simple disclosures, which may be “diversity dressing” based on self-reported data,<sup>56</sup> and instead investigate culture and behaviour through actions rather than glossy words.
- An example of this is in our analysis of SDGs where we may conservatively adjust company claims during our internal due diligence, ultimately impacting our internal ESG assessment and bespoke rating system.<sup>57</sup> Comgest considers that only those impacts on the SDGs that are directly related to companies’ activities are material. The internal assessment does not take into account, for example, sponsorship activities. As figure 7 illustrates, our 2020 assessment of the contribution of the Comgest Global Equity Strategy<sup>58</sup> companies to the SDGs indicated a far lower score than reported by the companies. This analysis helps us to refine our internal ESG assessment and focus our engagement activities.

#### ESG: ENGAGEMENT EXAMPLE

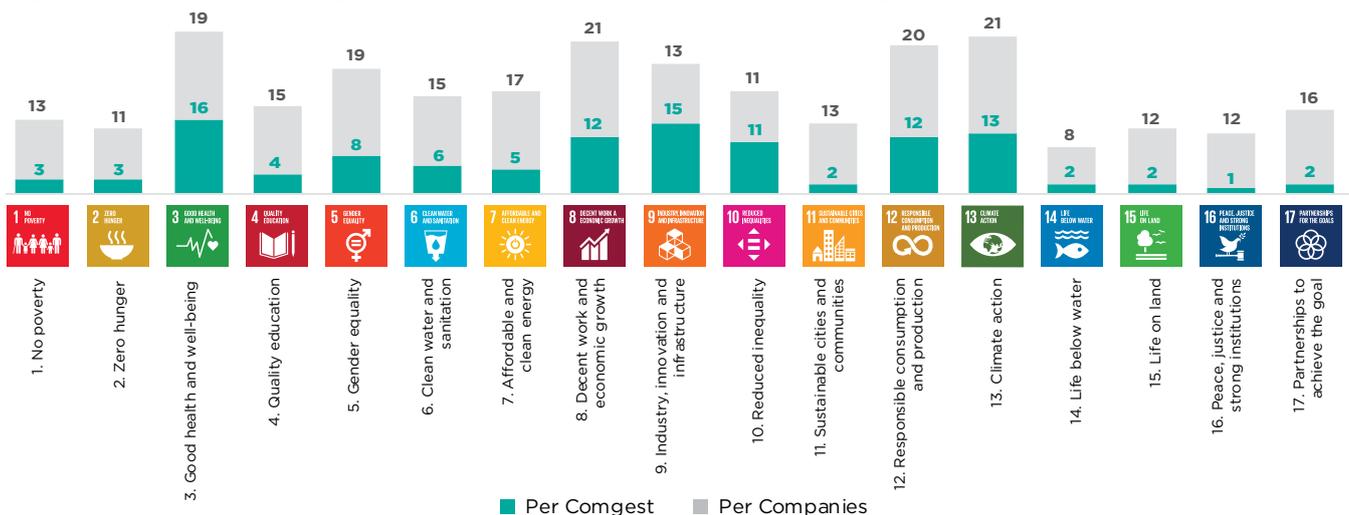
##### Pigeon

As a Japanese manufacturer of baby products, it was incongruous that their board held zero women. The lack of gender diversity, particularly for a company that invests in products dedicated to maternal and baby care, was a clear opportunity for incremental positive change on innovative thinking.

After several years of engagement with Pigeon, the company appointed three female members between 2018-2019, a figure that remains unchanged as of this publication.



Figure 7. Example of How Comgest Maps Reported Contributions of Portfolio Companies\* to SDGs.



Source: Comgest, data as of 31-Dec-2020. \*Data for Comgest’s Global Equity Representative Account, a pooled investment vehicle which has been managed in accordance with the strategy discussed since inception of the strategy.

<sup>52</sup> Linda-Eling Lee. “Women on Boards: Global trends in Gender Diversity”, MSCI, 2015 (<https://bit.ly/3pejCDE>) and Dina Medland, “Corporate Governance Must Not Be About Power”, Forbes, Mar. 2015 (<https://bit.ly/3KFGzIz>).  
<sup>53</sup> “CEO turnover at record high...Strategy& Global Study”, PWC, 2018. (<https://pwc.to/3rAFDh8>).  
<sup>54</sup> Walid Ben Amar et al., “Board gender Diversity and Corporate Response to Sustainability Initiatives: Evidence from the Carbon Disclosure Project.”, Journal of Business Ethics, Vol. 142, pages 369–383 (2017). (<https://bit.ly/3IHUdAj>).  
<sup>55</sup> <https://sdgs.un.org/goals>  
<sup>56</sup> Michael Kinney. “Diversity dressing: The Hidden Figures”, Mercer, 2020. (<https://bit.ly/3viiq8dz>).  
<sup>57</sup> Details on Comgest’s Quality Levels can be found in our Responsible Investment Report.  
<sup>58</sup> Comgest’s Global Equity representative account, a pooled investment vehicle which has been managed in accordance with the strategy discussed since inception of the strategy.

## INVESTEE CORPORATIONS NEED MORE GEARS AND LESS BRAKES

Across major markets, D&I at a C-suite and Board level seems to be very poor from a superficial perspective, but improvements have been made. That said, the below statistics illustrate large gaps:

DATE	SPECIFICS	ATTRIBUTION
2018-2020	<p>Just 6.6% of Fortune 500 CEOs are female, which is low but a jump from 2018's 4.8%. This figure is just 5% for UK FTSE100 companies, whereas in the French CAC 40, as of Feb 2020, there were 0 female CEOs.</p> <p>It's worth noting that French female Board representation is a relatively high 40%, primarily due to gender quotas initiated in 2011*, and there are no longer any male-only UK FTSE 350 boards, aided by the 2011 Davies Report that recommended voluntary gender balance targets.</p> <p>*In May 2021, the French Parliament voted to introduce gender quotas on the Executive Teams and leadership pipelines of companies over 1,000 people. The targets set are 30% minimum of either gender by 2027, 40% by 2030.</p>	<p>Fortune 500<sup>59</sup></p> <p>Women Count<sup>60</sup></p> <p>Eurofund<sup>61</sup></p> <p>City University of London<sup>62</sup></p> <p>Forbes<sup>63</sup></p>
2018	Just 16.1% of Fortune 500 Boards are non-white/Caucasian and 22.5% are women, which is an improvement from 2010 of 12.8% and 15.7%, respectively.	Deloitte <sup>64</sup>
2020	Only 3 black Fortune 500 CEOs (versus 14% of the U.S. population that self-identify as black <sup>65</sup> ), which is worse than 2010 when just 8 S&P 100 company CEOs were non-white (versus 22% US non-white population).	Business Insider <sup>66</sup>
2020	Women represent 6% of Board members in Japan, while a Reuters poll in Japan found 71% of firms had less than 10% women in key decision-maker positions.	Asian Legal Business <sup>67</sup>

Although progress is slow, it can be very impactful. For example, it took Facebook until 2012 to elect its first female board director, Sheryl Sandberg. This is despite 50% of their users being women. Notwithstanding company ESG failings, Sandberg has placed a higher priority on user security, privacy and mental health. She has used her platform and sought to establish herself as a mentor for women with her "Lean In"<sup>68</sup> philosophy.

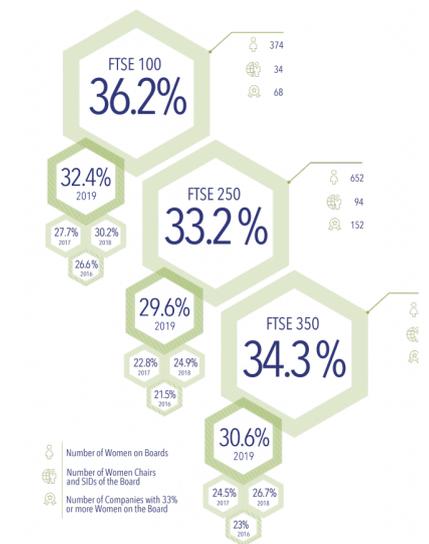
**The problem is not just gender- or race-focused.** In the UK, nine out of 10 roles in senior positions within financial services are held by people from wealthy backgrounds. Employees from less privileged backgrounds take 25% longer to progress in their career, despite no evidence of poorer performance. This "progression gap" increases to 32% for black people of lower-income households.<sup>69</sup>

## CORPORATIONS KNOW TOO WELL THE BENEFITS OF A FINELY-TUNED ENGINE

Although correlation and causation can be argued, studies and trends undeniably present and evidence D&I not only as an intangible – but also as a tangible and measurable opportunity.

McKinsey found a statistically significant correlation between diversity in executive leadership and financial performance.<sup>70</sup> Companies in the top quartile of gender diversity are 25% more likely to achieve above-average profitability than those in the fourth quartile. In the case of ethnic/cultural diversity the top quartile outperformed the fourth quartile by as much as 36% in terms of profitability.

Figure 8. FTSE 350 - Women on Boards: Five Years of Progress



Source: FTSE Women Leaders (<https://bit.ly/3jiOtLQ>)

<sup>59</sup> Walid Ben Amar et al., "Board gender Diversity and Corporate Response to Sustainability Initiatives: Evidence from the Carbon Disclosure Project", Journal of Business Ethics, 2017.

<sup>60</sup> Women Count, UN Women (<https://data.unwomen.org/women-count>).

<sup>61</sup> Mongourdin-Denoix, Sarah "French law to increase number of women directors," Eurofund, 2011. (<https://bit.ly/3vnhL0H>).

<sup>62</sup> Enforcing gender quotas increases boardroom diversity and quality, City University of London, July 2020. (<https://bit.ly/3mW1QVG>).

<sup>63</sup> Wittenberg-Cox, Avivah. "France Unanimously Votes Gender Quotas For Executive Leadership", Forbes, 2021. (<https://bit.ly/2YW980X>).

<sup>64</sup> "Missing Pieces: 2018 Board Diversity Census of Women & Minorities on Fortune 500 Boards", Deloitte. (<https://bit.ly/3DbDyKX>).

<sup>65</sup> Facts About the U.S. Black Population, Pew Research, 2021. (<https://pewrsr.ch/3vtl6du>).

<sup>66</sup> Dominic-Madori Davis, "One of the only 4 Black Fortune 500 CEOs just stepped down – here are the 3 that remain", Business Insider, 2020. (<https://bit.ly/3vjzdCY>).

<sup>67</sup> Beattie, Elizabeth. "Structural Change Required To Make Japan's Boardrooms More Inclusive," Asian Legal Business, 17-Nov-2020 (<https://bit.ly/3D88k7y>).

<sup>68</sup> Sandberg, Sheryl. Lean In: Women, Work, and the Will to Lead. Knopf, 1st edition, 2013. (<https://amzn.to/3i54tf0>).

<sup>69</sup> Bridge Group (UK Treasury & UK Dept. for Business, City of London), 7,780 corporates, November 2020.

<sup>70</sup> Dolan, et al. "Diversity wins: How inclusion matters", McKinsey, 2020. (<https://mck.co/3BY7smg>).

Boston Consulting Group also found a statistically significant correlation between diversity and innovation outcomes in all countries examined: a study of 171 German, Swiss, and Austrian companies established a clear relationship between the diversity of companies' management teams and the revenues they get from innovative products and services.<sup>71</sup> This study showed that the more dimensions of diversity represented in leadership, the stronger the relationship.

More importantly, the most diverse firms were also the most innovative as measured by "freshness" of their revenue mix, i.e., how much of their revenue came from new ideas. Indeed, they have 19% more innovative revenues and 9% higher EBIT margins<sup>72</sup> on average.<sup>73</sup>

### CONCLUSION: KEEP THE ENGINE HUMMING

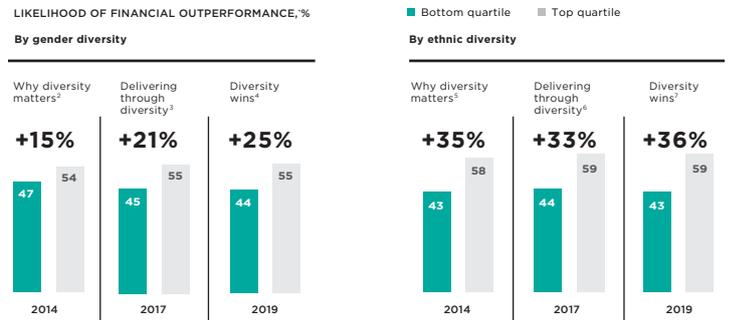
Comgest is ultimately a business of ideas generated by our most important asset – people. We've valued diversity and inclusion since inception more than 35 years ago, which is reflected – and fuelled – by a broad partnership that comprises Comgest employees of all levels.<sup>74</sup> In our view, diversity facilitates inclusion and drives financial performance – both within our own firm<sup>75</sup> and in the companies in which we invest. The greater our diversity, the richer the opportunity set becomes for the benefit of our wide-ranging, global clients.

We recognise, however, that many of Comgest's clients would like their investments to produce positive outcomes that serve both broader society and long-term shareholders. As owners of Comgest, our enduring partnership culture motivates us to think about a company's strategic intent, durability and its impact on all stakeholders. For this reason, our investment strategy incorporates not just a philosophy and approach with "built-in" elements of ESG research, but also our notion of stewardship.<sup>76</sup> To this end, Comgest uses D&I as a research-driven insight to help us seek out the "quality" businesses. Through our ESG engagement practices with investee companies, we believe that we can positively influence their policies with regard to sustainability, particularly in companies with identified material ESG risks that could be mitigated and/or ESG opportunities that could be cultivated. This applies not just to us as an asset manager, but also to our philanthropic endeavours such as The Comgest Foundation, which aims to improve the lives of those in need via employee-led projects.<sup>77</sup>

As this paper has illustrated, one of the main areas of continuing weakness in various industries is diversity. We believe there is a moral imperative to promote, defend and, wherever possible, take constructive steps towards equal opportunity for all. Being an advocate for D&I and ESG standards, whether it is participating in events or engaging directly with companies, we want to get people out of their comfort zones in order to effect positive change. The following "Comgest Scorecard" encapsulates our D&I efforts and progress.

Comgest's partnership structure – our "engine" – has fostered a strong team spirit and sense of shared responsibility that has become embedded in our culture. Our collaborative decision-making and collegial teams are strengthened by diversity and inclusive behaviour, which we believe mitigates risks and leads to better decisions. For our clients and us, better decision-making can mean sustainable, long-term rewards that have a positive impact beyond a financial return. Consequently, we're not afraid to seek out continuous improvement – identifying our mistakes, learning from them and sharing those lessons. To reiterate Nelson Mandela's fundamental lesson, "each one, teach one".<sup>78</sup>

Figure 9. The business case for diversity in executive teams remains strong.



<sup>1</sup>Likelihood of financial outperformance vs the national industry median; p-value <0.05, except 2014 data where p-value <0.1. <sup>2</sup>n = 383; Latin America, UK, and US; earnings before interest and taxes (EBIT) margin 2010–13. <sup>3</sup>n = 991; Australia, Brazil, France, Germany, India, Japan, Mexico, Nigeria, Singapore, South Africa, UK, and US; EBIT margin 2011–15. <sup>4</sup>n = 1,039; 2017 companies for which gender data available in 2019, plus Denmark, Norway and Sweden; EBIT margin 2014–18. <sup>5</sup>n = 364; Latin America, UK, and US; EBIT margin 2010–13. <sup>6</sup>n = 589; Brazil, Mexico, Singapore, South Africa, UK, and US; EBIT margin 2011–15. <sup>7</sup>n = 533; Brazil, Mexico, Nigeria, Singapore, South Africa, UK, and US, where ethnicity data available in 2019; EBIT 2014–18. Source: Diversity Wins data set.

<sup>71</sup> Rocío Lorenzo, et al. "The Mix Matters: Innovation through Diversity", Boston Consulting Group & Technical University of Munich, 2018. (<https://on.bcg.com/3pdpzRA>).

<sup>72</sup> Earnings before interest and taxes is a measure of company profitability. (<https://bit.ly/3GPR7Cg>).

<sup>73</sup> Rocío Lorenzo and Martin Reeves. "How and Where Diversity Drives Financial Performance," Harvard Business Review, Jan. 2018 (<https://bit.ly/3AjhuOs>).

<sup>74</sup> Employees are typically given the opportunity to become shareholders after two years with the firm. The decision to allocate equity is based on an individual's sustained performance, seniority and overall contribution.

<sup>75</sup> See page 1, footnote 2, for Comgest Group information.

<sup>76</sup> <https://www.comgest.com/en/our-business/our-investment-strategy>

<sup>77</sup> <https://www.thecomgestfoundation.com/>

<sup>78</sup> Mandela, Nelson. Long Walk to Freedom: The Autobiography of Nelson Mandela. Boston: Back Bay Books, 1995.

## COMGEST'S D&I SCORECARD: ON AND OFF THE RACETRACK

In our view, D&I has been ingrained in Comgest's culture since our inception. Our experience has been that Comgest's broad partnership acts as a durable symbiotic relationship whose culture drives D&I across gender, nationalities, backgrounds and skillsets. Nevertheless, D&I is an ever-evolving concept – one which we believe requires continuous development.

To this end, in 2021, we launched a **D&I Working Group (WG)** comprising members of our Human Resources department as well as 6 other employees from operations and portfolio management. With over 200 employees in 12 countries, the D&I WG seeks to identify areas of improvement, opportunity, facilitate company projects and initiatives, and produce tangible KPI measurements from across the Comgest Group.

Here are some snapshots of key Group figures:

### GROUP

Many forms of diversity are difficult to measure – even prohibited – in certain jurisdictions. The Comgest Group respects our employees' privacy and, due to laws in France where our headquarters are based, we do not collect data on race, religion, sexual orientation, gender identity or expression.

- ✓ **Nationality:** ~30 (for the Group) and ~15 (for the investment team)<sup>79</sup>
- ✓ **Gender equity:** 48% of our 200+ employees are female

### INVESTMENT MANAGEMENT

There's been a clear 5-year trend (+60%) in which institutional clients are acknowledging the advantages of D&I and investing with teams of managers rather than single managers.<sup>80</sup> In our view, Comgest's team-based decision-making approach mitigates star manager risks.<sup>81</sup>

- ✓ **Comgest's investment team consists of 50 analysts/portfolio managers, with an average of 15 nationalities and 16 years of industry experience**<sup>82</sup>
- ✓ **30% of our investment team is female**  
This exceeds the global average of 11.8%<sup>83</sup> and compares favourably to many of the world's largest asset managers which report an average of 40% female employees but have just 18% in portfolio management positions.<sup>84</sup>
- ✓ **11 out of 15 female investment team members are co-lead decision-makers** on Comgest strategies.
- ✓ **3 female Comgest co-leads** were recently ranked among **Citywire's Top 30 Consistently Best-Performing Female Fund Managers over the last 5 years**.<sup>85</sup>

### GOVERNANCE

Comgest strategically restructured its Group governance framework in 2020 to ensure a broader representation of all shareholders, e.g., in terms of gender, nationality and experience:

- ✓ **Board of Partners:** responsible for the Group's long-term strategic direction and capital planning, supervisory oversight and representation of Comgest's shareholders.
  - 12 members (~6 nationalities), of which 5 are women, 3 are independent and 2 are retired founders of Comgest.
- ✓ **Executive Committee:** assists the CEO in implementing the Group's strategic plans and maintaining oversight of Group activities.
  - 11 members (~7 nationalities), of which 4 are women, from a variety of management, portfolio management and operational roles.

Throughout the Group, Comgest committees at large comprise a high percentage of women and/or disparate nationalities and backgrounds and we remain committed to further fostering diverse talent, engagement and leadership at Comgest.

<sup>79</sup> Average figures as of 03-Jan-2021, figure excludes double nationalities that may be held.

<sup>80</sup> Alpha Female Report 2021, Citywire, 2021. (<https://bit.ly/3phhSKd>); "The Aftermath of Fund Management Change", Morningstar, 2017 (<https://bit.ly/3DNEDcw>).

<sup>81</sup> Loukia Gyftopoulou. "How to escape the star manager succession trap," Wealth Manager, Apr 2019, (<https://bit.ly/3AWq7gH>).

<sup>82</sup> As of 03-Jan-2022.

<sup>83</sup> Alpha Female Report 2021, Citywire, 2021, (<https://bit.ly/3phhSKd>).

<sup>84</sup> Attracta Mooney. "Big Fund houses fail to promote female portfolio managers", The Financial Times, March 2021, (<https://on.ft.com/3pcP4T5>).

<sup>85</sup> Past performance is not indicative of future performance. Alpha Female Report 2021, Citywire, 2021.

(<https://bit.ly/3phhSKd>). Pg. 12 of the Alpha Female Report 2021: "The list shows the top 30 female fund managers in Citywire's database based on the manager's ratings consistency over the last 5 years. The individual fund manager's monthly ratings are converted to points – AAA = 6, AA = 5, A = 4, + = 3 – and these are added up over the five years Citywire data covers 297 sectors and 16,353 fund managers. They do not cover every sector and managers of purely institutional funds or who only run segregated mandates would not be included in the group tables analysis showing percentages of women fund managers. A detailed assessment of Citywire's ratings and methodologies can be found in this report from independent actuaries AKG ([www.bit.ly/cw-akg](http://www.bit.ly/cw-akg))."

## COMGEST'S D&I SCORECARD: ON AND OFF THE RACETRACK

### REMUNERATION

As part of our remuneration review process, the **Capital and Compensation Committee Working Group**, which comprises 4 women and 2 men (representing ~4 nationalities) from investment and operational teams, specifically focuses on:

- ✔ **Employee pay equity** and **annual employee performance appraisals** based on manager feedback, team performance and one-to-one employee-manager conversations, which naturally include D&I elements such as trust and communication.

In the spirit of the UK's Pay Gender Gap reporting<sup>86</sup>, as well as legal requirements for Comgest's Paris-based entity, **Comgest produces an annual report entitled "Index Égalité Femmes/Hommes" (i. e., a "Gender Equality Index Report")**, as well as other internal surveys, benchmarks and policies to monitor and neutralise – if necessary – differences in pay across genders. There is no gap between the compensation practices of men and women at Comgest. Any pay differences would be due to experience, specific responsibilities, performance or tenure as a partner.

### TALENT ACQUISITION, RETENTION, MENTORSHIP AND MANAGEMENT

Comgest aims to ensure a diversity of candidates and expresses this desire to our executive search agencies. We believe that our partners' differences will lead to broader perspectives, stronger debates and, ultimately, better decisions.

- ✔ **Broad Partnership:** In our view, this structure **facilitates a long-term focus and individual contributions** – beyond our client-aligned incentivisation – by ensuring that everyone has a voice and a part in maintaining our stable and diverse teams. We believe our low employee turnover is a result of our partnership culture.
- ✔ **Internships:** **5 out of our current 15 female portfolio managers** completed an internship with Comgest prior to being appointed to their current role.
- ✔ **Parental Leave:** In terms of portfolio management, Comgest understands that **female portfolio managers in the industry have a higher turnover rate (44%) vs men (31%)** and appreciates the challenges that they face. Given our long-term and team-based approach, Comgest looks to ensure that temporary absences for parental leave do not impede recognition (including portfolio track records) and opportunities for promotion.
- ✔ **Remote work:** Comgest has a **flexible work-from-home policy** which was identified by an independent consultant, Mercer, as prime enabler of D&I.
- ✔ **Professional development:** Comgest provides Group-wide training on skill building, unconscious bias, cross-cultural competency and communication styles.

### INDUSTRY-WIDE INFLUENCE

- ✔ **Diversity Project (UK):** A cross-company initiative championing a more inclusive culture within the investment industry.<sup>87</sup> Comgest became a member in 2021 and seeks to learn from, and contribute meaningfully to its initiatives.
- ✔ **Fondsfrauen (DE):** The largest German-speaking women's network for career advancement, diversity and gender equality in the financial industry.<sup>88</sup> Comgest joined the network in 2021.
- ✔ **The Comgest Foundation**, the philanthropic arm of the Comgest Group,<sup>89</sup> is dedicated to supporting various projects, such as education, people with disabilities or other programs which aim to improve the lives of people in need. Comgest employees nominate projects and act as "ambassadors" to monitor their progress.

<sup>86</sup> Gender pay gap reporting, (<https://bit.ly/3FWHfeY>).

<sup>87</sup> <https://diversityproject.com/>

<sup>88</sup> <https://fondsfrauen.de/en/>

<sup>89</sup> <https://www.thecomgestfoundation.com/>

“As a native of South Africa, diversity and its implications have been a part of my life since birth. The inspiration for my life in finance stemmed from my mother, Lyn. With no post-secondary education, a non-wealthy financial background and a lack of quality parenting – during what was a male-dominated and Apartheid-oppressive period in South Africa – my mother worked her way up from a bank teller position to a director of marketing in the financial industry (Deloitte). Thanks to her “nudge” and early help in terms of supporting my scholarship applications and introducing me to her network, I discovered the world of finance. As a woman in 1994 amid a volatile environment, but being a believer in positive change, she led, managed and contributed to South Africa’s first democratic election as a ‘Station Monitoring Manager’ for the (formerly named) Northern Transvaal. Given this background, I have always believed that the least I could do is learn about, acknowledge and open my mind to the challenges that she would have faced along her journey. Consequently, my motivation for this whitepaper was the opportunity to educate myself and appreciate the complexity of the subject matter.



**Independent Electoral Commission of South Africa**  
(UN-supervised), former Northern Transvaal province  
1994



**Zak Smerczak** joined Comgest in 2016 and is an Analyst and Portfolio Manager specialising in Global equities. He is also a member of the Comgest Group’s Investment Committee. Zak started his career in 2006 at Deloitte in London, initially in Assurance & Advisory Services before moving to Transaction Services where he was responsible for operational and financial due diligence. In 2011, Zak joined Mirabaud Asset Management where he worked as an Analyst covering global equities. In 2015, he moved to Polar Capital Holdings where he held the position of Analyst / Portfolio Manager for the firm’s global multi-asset income strategy. Zak holds a Bachelor of Business Science Degree with Honours in Finance from the University of Cape Town. He is a CFA® charterholder and has been a member of the Institute of Chartered Accountants of Scotland since 2009.

## IMPORTANT INFORMATION

Data as of 03 January 2022, unless stated otherwise. Product names, company names and logos mentioned herein are trademarks or registered trademarks of their respective owners.

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Indices: MSCI AC World - Net Return. Indices are used for comparative purposes only and the portfolios do not seek to replicate the Indices.

Past investment results are not indicative of future investment results. The value of all investments and the income derived therefrom can decrease as well as increase. Investing involves risk including possible loss of principal.

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