COMGEST

The Quality Growth Investor

COMGEST GROUP ACTIVE OWNERSHIP POLICY

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I. INTRODUCTION

The Comgest Group[1] (the "Group") is an independent equity-only asset manager with a unique partnership structure and a quality growth investment philosophy that has guided our portfolios consistently for over three decades.

We believe that:

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

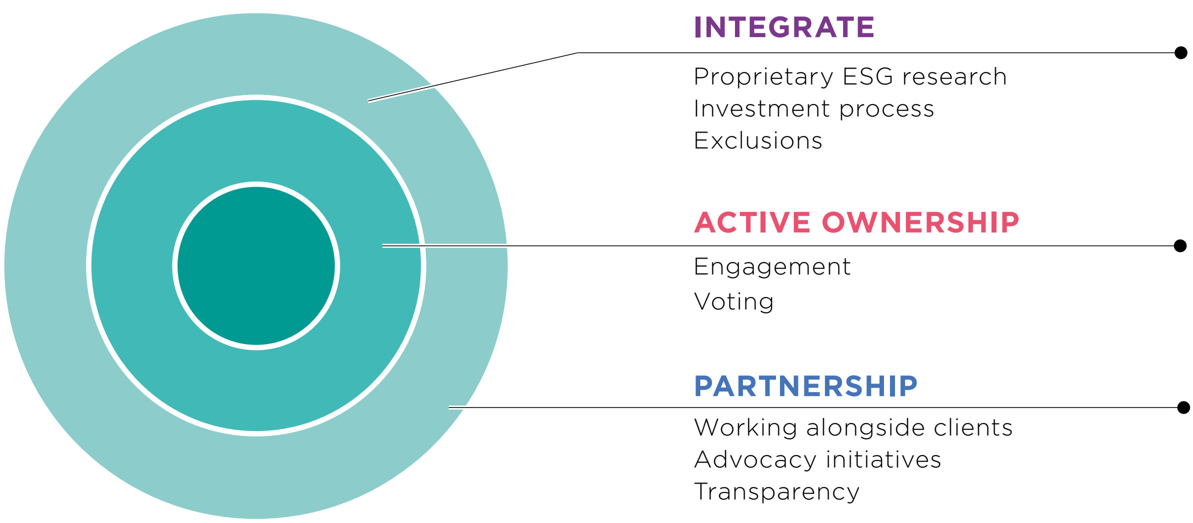
Active ownership can be an effective catalyst for driving improvements to a company's operations, helping them sustain their competitive advantage and earnings growth. However, achieving these results takes time, often years. The relevance and effectiveness of any initiative or engagement therefore depends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

At Comgest, we are long-term investors and our average holding period is 3 to 5+ years. We manage high conviction, concentrated portfolios and aim to develop strong relationships with our companies. Our Investment team conducts in-depth research over many years, building deep knowledge of investee companies' businesses and the ecosystems in which they operate. Maintaining an active dialogue with companies is a key element of our investment process.

In light of this investment approach, we believe we are well-positioned to benefit from companies improving their sustainability practices. Active ownership is therefore key to our strategy of delivering long-term performance to our investors.

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

Figure 1. Comgest three-pronged RI Strategy



[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.

II. SCOPE

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

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

Comgest's objective is to vote systematically at all shareholder meetings when possible. The Comgest voting policy applies to our public pooled funds, dedicated funds and segregated accounts managed for clients who have delegated the exercise of voting rights to Comgest. It does not apply to segregated accounts for clients who have not delegated the exercise of voting rights to Comgest. For such accounts, we may apply the client's bespoke voting policy or may not be implicated in the voting process at all, as requested by the client.

This Policy forms part of our overall approach to responsible investment, the full details of which can be found within the Comgest Group **Responsible Investment Policy** ("RI Policy"). A more detailed description of Comgest's voting rules in relation to specific regions and countries is available upon request.

III. STRATEGY

A. ENGAGEMENT WITH COMPANIES

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

i. Engagement activities

We define engagement according to two primary activities:

1) **Information exchange**: Requesting and discussing ESG-related 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 carefully monitor the evolution of these engagements by specifying engagement objectives and by reporting on the ongoing status and eventual outcomes, as described in *section III(A)(ii)*.

Engagement activities are categorised according to the relevant ESG topic, as follows:

- **Environment**: climate change, biodiversity (including deforestation);
- **Social**: human rights, diversity, equity and inclusion ("DEI"), human capital management, health & safety, data security, product safety;
- **Governance**: conduct, culture & ethics, ownership, control or shareholders' rights, remuneration, board effectiveness (including DEI and independence or oversight), management related.

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

- **Individual engagement**: Most of our engagement activity is through direct, individual interaction with companies. Comgest applies its engagement principles outlined in *section III(A)(iii)* to individual engagement activities. Typically, these engagements are carried out by an ESG Analyst and the relevant Company Analyst within the Investment team. These analysts may also draw on expertise

[2] Directive (EU) 2017/828.

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 or "NZAM").

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

- **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), and
- The use of collaboration platforms.

ii. Objectives and monitoring

a. 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 "enhance governance structure by improving board gender diversity to have at least 30% female representation".

b. 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 (more information on the escalation process in *section III(E)*).

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 (refer to *section III(E)*);
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 engagement experiences with the objective of continually improving our engagement techniques.

In the case of a **successful engagement**, the team members involved 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 *section III(E)*. 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 holding 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[3]. Engagement activities can thus directly feed into the portfolio construction process because ESG Quality Levels impact the discount rate used in our valuation models.

iii. Engagement principles

a. Partnership approach to engagement

At Comgest, we consider our relationships with investee companies, clients and employees similarly: as a partnership. As a stable 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.

b. Prioritisation of engagement activities

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

1) 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.

– **Materiality through fundamental research**

As part of our proprietary ESG analysis and ESG Assessment of each portfolio company, the Investment team identifies material ESG risks and opportunities facing the business. While top-down analysis such as sector and geographic sensitivities can be a useful starting point to identify ESG risks and opportunities, our conclusions are always and primarily informed by our bottom-up research. Engagement, or stewardship activity, is prioritised by the materiality of our findings. We also take the results of principal adverse impact ("PAI") assessments into account. Issues that we prioritise for engagement naturally vary between geographic regions, industry sectors and individual companies, and are informed by our own research. We adapt our engagement focus to the strategy, product or company under analysis. Probability of success is important to assess in the context of materiality.

When there is an ESG matter that is material to the business case, and we believe that an engagement could tangibly help address the ESG risk or opportunity, stewardship activity with this company will be

[3] See Comgest's Responsible Investment Policy for more information on ESG Quality Levels, our proprietary ESG scoring system.

prioritised over other portfolio companies. The size of our holdings is also a factor we consider when prioritising portfolio companies for an engagement activity.

Comgest's ESG Quality Level 4 companies are companies that, though investible within our quality growth portfolios, require improvement regarding their ESG profile. When relevant, we prioritise seeking improvement in these companies by way of direct and collaborative engagement, exercising voting rights and participating in industry initiatives.

- **Materiality through thematic areas of risk exposure**

Comgest closely monitors three thematic risk areas: climate, biodiversity and human rights. We have developed individual policies for these topics, as outlined in our **RI Policy** (see *Appendices II, III and IV*, respectively).

Companies with material exposure to these three thematic ESG risks may be identified for individual engagement or coordinated actions such as collaborative engagements and advocacy initiatives.

- **Materiality through industry initiatives**

Comgest is signatory to a number of industry initiatives and collaborative activities, some of which have led us to make formal commitments to contribute to advancing sustainability outcomes. Our participation in these initiatives informs our stewardship activity with certain companies, where material. For example, as a signatory to the NZAM we have set engagement targets and in this context we prioritise engagement on climate with the top contributing companies to the Group's financed emissions.

2) Client priorities

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

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

c. Engaging 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 may eventually lead to real change.

As committed shareholders, we are able to engage with companies over multi-year time 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 a company. We engage on matters we deem important to a company's sustainability 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.

d. Engaging ahead of annual general meetings ("AGM")

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 example, if we decide to vote against certain resolutions, we may inform the company of our voting decision and rationale. In certain scenarios such as escalation, we may decide to pre-declare our voting intentions publicly. See *section III(C)* on voting for more information.

e. Engaging 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 through 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[4] may be prioritised for engagement activity, we identify topics for engagement across our range of companies, including among our ESG leaders.

f. Our active ownership strategy with companies may involve engaging with other stakeholders

We may communicate with other stakeholders where we believe it could advance a certain engagement with our portfolio companies. This may include engagement with industry bodies, regulators, governments and policymakers. For further information on our advocacy strategy please refer to *section II(B)*.

iv. Engagement responsibilities

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

As those closest to the companies themselves, our Company and ESG Analysts are responsible for carrying out individual engagement activities. The analysts track and report progress on the issues raised and ensure that this information is shared across the Investment team so that engagement outcomes can be systematically integrated into the investment decision-making process.

Collaborative engagements are typically carried out by the ESG Specialists[5], alongside the Company and ESG Analysts covering companies impacted by the topic at hand.

ESG engagement notes are recorded in a central database by the Company Analysts and the ESG team. This database facilitates the monitoring of progress and information sharing across teams within Comgest.

B. ADVOCACY

i. Approach to advocacy

We regard our independent ownership structure as a key advantage to implementing an unbiased and successful advocacy strategy.

In delivering our highly active, quality growth investment approach, we seek to identify market-wide and systemic risks affecting the commercial and financial landscape in which issuers operate. We do this through our own research, engagement activities and support for industry-wide initiatives.

While many sources of systemic risk are largely out of our direct control – such as the respect for the rule of law in various countries, human rights and government policy – our policy is to engage actively with industry participants in an effort to collectively address these risks and encourage better-functioning financial markets, where possible. These initiatives 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 and any implications for our portfolio companies.

ii. Interacting with other stakeholders

Our advocacy work targets a broad range of stakeholders including regulators, policy makers, governments, peers and clients.

[4] See Comgest's Responsible Investment Policy for more information on ESG Quality Levels, our proprietary ESG scoring system.
[5] Further details on the roles and responsibilities of ESG Analysts and ESG Specialists are available in Comgest's Responsible Investment Policy.

We carry out advocacy activities either directly or by joining industry and/or collaborative initiatives. Activities include signing investor statements, participating in public and private working groups and responding to industry consultations, for example. We demonstrate our support by adhering to a number of industry Stewardship Codes (i.e. UK, US and Japan Stewardship Codes), among other industry standards and initiatives. The full list of our advocacy activities is available on our **website**.

C. VOTING

i. Voting principles

a. Reflective of our values

We exercise our right to vote at shareholder meetings in accordance with corporate governance values and voting principles that have been determined with reference to regulations, industry standards, best practice, and Comgest's international experience. Our proprietary voting principles 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, yet we also believe that a number of fundamental principles apply to all organisations that aim to be successful quality growth companies.

b. 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. Voting can be a driver of change.

c. Promote specific governance characteristics

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

- **Long-term performance orientation:** Companies should think big and plan long. Boards of directors, management and employees should be responsible for ensuring continuous improvement through all levels of the organisation. Innovation and initiative should be part of the corporate culture. We believe a long-term performance orientation leads to better personal, team and financial performance and encourages employees to "go the extra mile" for customers and shareholders.
- **Accountability and transparency:** Executive and non-executive directors, need to take full ownership of their duties and responsibilities, share information in a sufficiently open and timely manner, be able to answer questions and explain decisions, uphold trust and confidence and be fully accountable for the consequences of their actions.
- **Honesty and integrity:** Compromising honesty and integrity can be highly detrimental to a company's image, brand, morale and performance. Qualities, attributes and competencies that nurture and embrace honesty and integrity are vital to keeping a company whole, internally and externally. Companies should be vigilant, reliable and constantly seek to earn the trust of employees, customers and shareholders.
- **Shared purpose and engagement:** Both executive and non-executive directors, should align their own interests with what is best for the company. Managers should lead by example with respect to all of the company's stakeholders and successfully engage with them via their vision, leadership and capacity to inspire trust. Similarly, each employee should understand how his or her role contributes to the successful achievement of the company's business purpose. Fundamentally, a company is a team and it takes a strong team of highly motivated people to achieve outstanding and sustainable long-term performance.

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.

d. One share, one vote

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

e. Adapt our votes to company specificities

Voting decisions are very carefully considered for each general meeting. We recognise that the companies in which we invest operate in sectors with differing dynamics and in geographies with specific business cultures and practices. We also acknowledge that there are instances in a company's development that may require an evolving governance structure over time. It may therefore not always be appropriate to apply our voting rules rigidly and we may diverge from them 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.

f. 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.

ii. Comgest's voting guidelines

a. Board of directors

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

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

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

— **Board size**

Comgest typically favours boards composed of six to 12 members. A smaller board size limits opportunities for the exchange of differing opinions and points of view, as well as reduces the levels of collective experience and expertise available for developing the company's strategy and guiding and overseeing the company's operations. A larger board size may result in reduced ownership in the decision-making process and reduced involvement of boards members.

— **Independent board members**

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

- Current or former executives/employees of the company
- Executives' parents or other immediate family members
- Shareholders, or shareholders' representatives, who hold more than 5% of total outstanding shares
- Customers, suppliers, service providers, or advisors, including investment bankers, lawyers and former auditors
- Board members with 12+ years of tenure

Where employee representatives (including employee shareholder representatives) sit on the board, we typically exclude them from the member count used to determine board independence.

— **Director competence**

We consider the notion of competence in a broad sense. It includes business experience in fields relevant to the company's strategy (specific know-how or sector background), subject matter expertise (for instance, science or technology), or a specific area or areas of expertise that help the company achieve its business objectives.

— **Board nominations**

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

- The company has provided adequate disclosure regarding its nominees
- There are no known issues with the company's finances or financial statements
- Our knowledge indicates there are no conflicts of interest or other issues that may cast doubt on the nomination
- The nominees have not missed more than 25% of the board's scheduled meetings without adequate excuse

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

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

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

— **Chair of the board**

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

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

— **Number of directorships held**

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

— **Board diversity**

A company's culture and board of directors can play a key role in its success or failure. As a general rule, Comgest is in favour of a diverse board composition as cognitive diversity assists in identifying risk, enriching debate, decision-making on complex topics and building collective knowledge.

Comgest does not restrict the concept of board diversity to gender diversity. We believe that a board should be composed of directors with different backgrounds, skills, nationalities, ages, tenure, and other relevant criteria, in line with the company's business strategy and objectives. In regard to gender diversity, Comgest generally does not support the re-election of a Nomination Committee chair if there is not at least one woman on a board of less than 10 members or two women on a board of more than 10 members. This application of this rule may vary depending on the company's country of origin, local practices and governance codes.

In the US and the UK, a lack of ethnic diversity on a board can also be a criterion used to decide if Comgest should support the re-election of a nomination committee chair.

— **Board committees**

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

— **Audit Committee**

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

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

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

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

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

— **Remuneration Committee**

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

In the majority of cases, Comgest believes that the company should design and implement a simple and coherent remuneration structure for all levels of management within the organisation via collaboration between the remuneration committee and the company's human resources department.

— **Nomination Committee**

Nomination Committees should be at least two-thirds independent, and its chair should be independent. Ideally, the company should be able to explain why a nominee has been chosen over potentially dozens of other equally qualified candidates with the necessary qualifications to fulfil their responsibilities, based on skills, experience, and personal qualities.

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

b. Compensation

Most employees have a sense of fairness when it comes to levels of compensation. Compensation below a perceived level of fairness can leave employees feeling dissatisfied, a situation that typically impacts loyalty, engagement and performance. At the same time, however, there is evidence that extra compensation does not necessarily translate into stronger performance once an employer meets a perceived threshold of fair pay, or pays above it. Comgest recognises that remuneration systems that include elements of fixed and variable pay, and that explicitly value exceptional effort and results, are more likely to create a sense of fairness amongst employees and thus contribute to corporate performance.

— **Executive remuneration**

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

We generally support remuneration policies that provide shareholders with:

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

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

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

— **Equity-based compensation**

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

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

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

— **Remuneration of non-executive board members**

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

Board member remuneration should strive to remain fair and reasonable to best ensure independence and adequately compensate directors for their efforts.

— **Other types of compensation**

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

c. Corporate activity

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

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

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

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

d. Environmental guidelines

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

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

— Climate

In line with our Climate Change Policy (Appendix II of our RI Policy), we encourage companies to implement a "say on climate" and put forward advisory resolutions on their climate action plans, decarbonisation targets and progress on emissions reduction at their AGMs. We generally support these advisory resolutions where we have deemed a company's climate targets and strategy to be aligned with our own climate commitment[6]. Similarly, we may use our voting rights to signal to companies when we believe their targets and strategy are not ambitious enough, exposing them to heightened climate-related risks.

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

— Nature

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

In line with our Policy on Nature and Deforestation (Appendix III of our RI Policy), we expect high-risk companies to:

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

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

e. Social guidelines

Comgest uses the following international standards to assess the responsible conduct of businesses and identify potential human rights violations and related risks: the principles of the United Nations Global Compact ("UNGC"), the United Nations Guiding Principles ("UNGPs"), the conventions of the International Labour Organisation ("ILO") and the Organisation for Economic Cooperation and Development ("OECD") Guidelines for Multinational Enterprises.

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

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

f. Shareholder proposals

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

[6] Comgest is a signatory to the NZAM initiative. Further details on our climate commitment and targets are available in our **RI Policy** (see Appendix II, "Climate Change Policy").

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

g. Virtual/electronic general meetings

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

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

h. Political donations and lobbying

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

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

iii. Responsibilities and Exercise of Voting Rights

a. Role of the dedicated ESG Resources

Comgest's ESG team is responsible for overseeing the implementation of the Group's voting principles and guidelines and annually reviews its derived voting rules on a region-by-region basis.

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

b. Role of the Company Analysts

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

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

c. Role of the Proxy Voting team

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

iv. Proxy Voting platform

We apply our own voting policy and do not delegate or outsource votes. Comgest's voting rules derive directly from our voting principles and guidelines detailed above. These voting rules have been defined on a regional or country basis in collaboration with the ISS[7] team dedicated to proxy voting policy customisation.

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

To make the voting process as efficient as possible, Comgest uses the services of ISS which analyses resolutions and makes voting recommendations in accordance with our voting policy.

The lead Company Analyst is informed of the agenda for a general meeting and ISS voting recommendations in accordance with Comgest's voting rules. They will then provide their voting recommendation to the Proxy Voting and ESG team. When this recommendation is a deviation from Comgest's voting rules, a rationale must be provided. The Proxy Voting team liaises with the ESG team or relevant Portfolio Managers for a decision prior to submitting the vote, as necessary. The Proxy Voting team submits votes through the ISS Proxy Exchange platform which allows Comgest to vote electronically at almost every general meeting in every country where we invest.

v. Pre-declaration of voting intention

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

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

vi. Monitoring of voting outcomes

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

vii. Significant votes

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

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

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

Significant votes are disclosed in our **Annual Sustainability Report** and our **Annual UK Stewardship Code report** These reports include the rationale for voting decisions we consider significant.

viii. Legal and technical procedures

a. Power of attorney

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

b. Share blocking

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

c. Stock registration

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

d. 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.

D. HOW OUR ENGAGEMENT AND VOTING ACTIVITIES INTERACT

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

E. ESCALATION

i. 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.

ii. 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;
- Pre-declaring our voting intentions;
- 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 (either individually or collaboratively);
- Though rare, we may consider informing regulators or the press of our stance, or we might file a shareholder resolution in cases where we believe the company repeatedly ignored the interests of minority shareholders; and
- Divestment (see *section III(E)(iii)*).

iii. 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 its 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 shareholders.

IV. CONFLICT OF INTEREST

A. OUR CONFLICTS OF INTEREST POLICY

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

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

However, Comgest operates in an environment where we will face actual, potential or apparent conflicts of interest. We recognise that a policy for the identification, prevention or management of conflicts of interest in the best interests of clients is essential and that failure to identify and manage conflicts may lead to reputational and/or regulatory risk for the business. The Compliance department is responsible for our Conflicts of Interest Policy, which is provided to our clients and 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.

B. CONFLICTS OF INTEREST MAPPING

As part of our conflicts of interest framework, a Conflicts of Interest Mapping (the "Conflicts Mapping") is undertaken by the Group's Compliance departments of the different Comgest regulated entities. The Conflicts 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 that 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 all potential conflicts;
- Determine how each conflict is managed or mitigated;
- Describe disclosure obligations, where relevant;
- Cite any policies or procedures that have been implemented in order to manage or avoid the conflicts; and
- Identify the parties in conflict, whether internal or external to Comgest.

C. CONFLICTS OF INTEREST LOG

Each Compliance department maintains a conflicts of interest log to document the assessment of, and response to conflicts.

D. CONFLICTS OF INTEREST ASSESSMENT

When a potential conflict of interest is identified, a conflict of interest assessment is undertaken. The assessment is conducted by the Compliance department and the relevant board of directors, as required.

E. CONFLICT RESOLUTION

Comgest makes every effort to prevent conflicts of interest and, should they arise, to resolve them equitably in the interests of our 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 the general nature and/or sources of the conflict of interest to the client and update them on the steps taken to mitigate these risks before undertaking business on their behalf.

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.

F. AREAS OF POTENTIAL CONFLICT OF INTEREST

i. Proxy voting process

Potential conflicts may arise in relation to the proxy voting process. We have implemented a number of actions to minimise and prevent such risks as much as possible. We consider a number of factors and procedures, including:

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

ii. 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.

V. OVERSIGHT

The Sustainability Committee oversees the annual review and approval of this Policy by the relevant Comgest entities and boards. The Policy may be reviewed more frequently as required. The Sustainability Committee also oversees the Policy's implementation which is carried out by the Investment team together with dedicated ESG resources. Further details on the Sustainability Committee can be found in our **RI Policy**.

VI. REPORTING

Comgest considers the timeliness and quality of reporting a core component of our portfolio management services. Example of communications include:

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

We disclose how we implement our Active Ownership Policy on an annual basis. Information is published within Comgest's UK Stewardship Code Report which is publicly available on our website and covers:

- The nature and extent of our engagement activities, including how we select issues for engagement and the type of engagement we have undertaken; and

- A description of our voting behaviour, including an explanation of our most significant votes; the use of proxy advisors and a description of how Comgest casts votes in the general meetings of companies in which we hold shares on behalf of our clients.

– **Quarterly responsible Investment reports**

A summary of Comgest's voting and engagement activities is available in our quarterly responsible investment reports, which are available upon request.

– **Quarterly public fund factsheets**

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

– **On-demand voting & engagement reports**

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

– **Proxy Voting dashboard**

A **proxy voting dashboard website** summarises Comgest's proxy voting activity for each investee company. This dashboard is updated daily, and voting results are visible with a 90-day lag.