COMGEST

The Quality Growth Investor

UK STEWARDSHIP CODE 2023

ANNUAL REPORT

April 2024

The Quality Growth Investor

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MESSAGE FROM OUR CIO

Comgest is pleased to submit its Annual Stewardship Report for the period 1 January to 31 December 2023.

This report sets out how we have applied the 12 Principles of the UK Stewardship Code throughout 2023 and how we continue to invest in and develop our stewardship activities in line with our mission, our investment philosophy and our business model. We thoroughly support the Financial Reporting Council's work in Stewardship and Governance.

As a quality growth, long-term investor, we look for companies that can deliver sustainable investment returns. We believe that value creation is enhanced when companies deliver social utility, while limiting negative impact to the environment. ESG analysis is therefore fully integrated within our fundamental research on each company and throughout our investment decision-making process. As active owners, we strive to improve ESG practices through targeted company engagements and by voicing our opinions through responsible voting. Importantly, our interests are focused on the long-term and aligned with our clients because of our broad employee partnership model.

Over the past year, we have witnessed a sharp increase in the volume of ESG information requested by our clients. Our segregated mandate clients are also integrating increasingly bespoke ESG tailoring to meet their needs and organisational goals. We continue to add resources to ensure we can meet these demands and add value to our clients in their ESG journeys. In 2023, as a signatory to the Net Zero Asset Managers (NZAM) initiative, we published our first climate-related targets. These targets allow us to both prioritise our engagement resources on companies facing the most significant climate risks and to assess the sustainability of their business models.

We acknowledge that there is a need for ongoing learning and development. We continue to face a changing regulatory landscape and increasingly bespoke client needs. We have made further investments in ESG resources, servicing capabilities and operational infrastructure. We are also carefully ensuring that all teams at Comgest absorb and apply ESG knowledge. In this endeavour, training has been a key focus over the year and will remain so for the years to come.

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

PRINCIPLE 1

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

OUR PURPOSE

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

INVESTMENT BELIEFS

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

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

We believe that a company's responsible approach to environmental, social and governance issues will impact positively on the sustainability of their growth over the long-term. In assessing these factors carefully, the integration of our proprietary ESG research into our fundamental analysis enables Comgest's Investment team to perform a more comprehensive assessment of "quality".

We also know that value for our clients derives not only from the financial returns we deliver or the service we provide but from the consistency and transparency of our responsible investment approach.

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

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

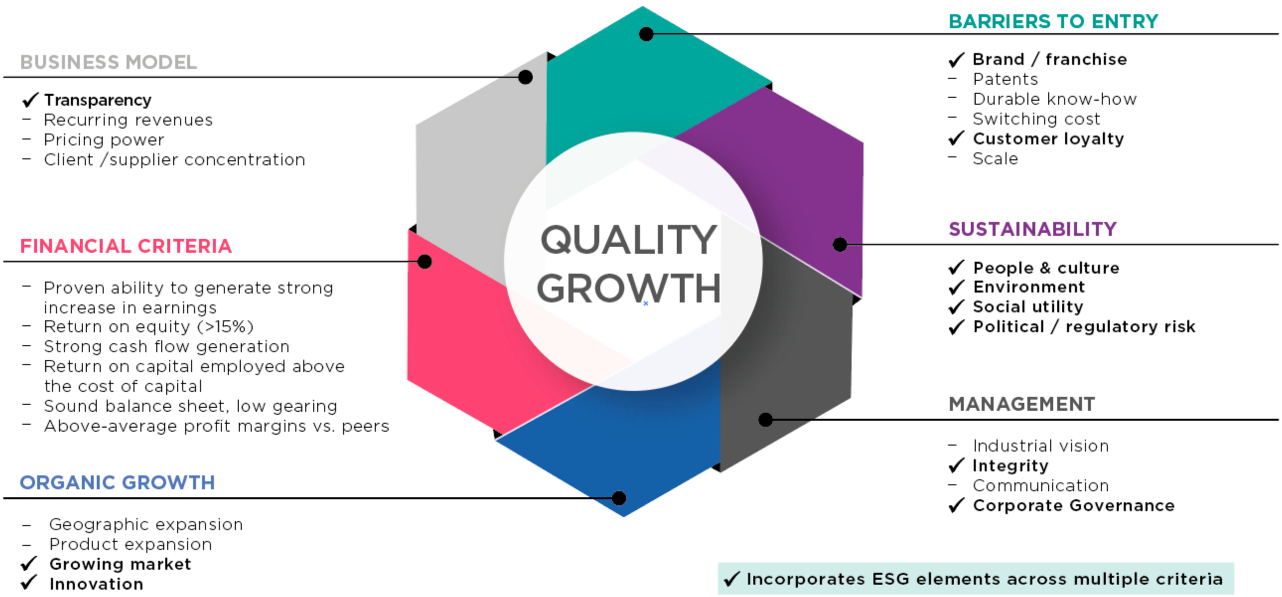
STRATEGY AND CULTURE

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

Comgest's founders built the company around three core pillars, which continue to guide our actions:

- **Freedom:** to invest in line with our convictions and our values
- **Transparency:** to promote sharing as much information as possible both internally and externally, building knowledge and trust
- **Collaboration:** our flat organisational structure promotes autonomy and a team approach to decision making. Collaboration is incentivised by our broad partnership structure, with employees across all functions of the business having a shared stake in the company's success.

Figure 1. Comgest's Quality Growth Selection Criteria



Our broad partnership structure was established from the founders' belief that employees should have a stake in the company's success. Comgest has always been 100% owned by employees and founders. Today, there are over 200 employees at Comgest, of whom 180 are employee-shareholders, investing their own assets to build a stake in the company. Currently, all Investment team members with over five years of tenure are shareholders.

Comgest shareholders typically build their stakes in the company gradually over many years, with capital transferring to successive generations of employees over decades. As long-term owners of Comgest, we are determined to pass along the company to the next generation in better shape than when we first invested.

This partnership structure underpins the strategy and culture of Comgest, and ultimately the stewardship of our clients' and our own capital:

- It creates **consistency and stability**: we have maintained the same investment philosophy since Comgest was founded, through all market conditions; our employee turnover is low (7.5% in 2023), so we do not lose accumulated research knowledge and relationships with investee companies.
- It encourages us to think **long term**: we commit our own capital for many years, and this is aligned with the way we invest on behalf of our clients. We are prepared to spend the time necessary on thorough research to identify what we consider to be exceptional companies and to maintain our investments in them patiently to benefit from compound growth.
- It means that we have **skin in the game**: because we are long-term owners of Comgest, we have a strong incentive to be responsible owners of our portfolio holdings. We are acutely aware of ESG risks that – if they materialise – could destroy value for our clients and consider it our responsibility to engage with investee companies on any issues that we think could be prejudicial to their future sustainability.

The Comgest Group[1] is committed to its time-tested strategy of selecting quality growth companies that we believe will prosper sustainably. Our long-term investment horizon, incentivised by Comgest's broad partnership structure enables us to engage with companies over the long term, striving for continual improvement. We seek to deliver value to our clients by utilising time-horizon arbitrage, looking beyond the short-term market "noise" to identify drivers of long-term performance. We look to constantly improve and sharpen our stock selection process as well as the depth and breadth of our research. We believe that our strategy is best achieved with a team-based approach to investment decision-making, and we aim to maintain efficient and highly motivated operational and client servicing teams.

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

CREATING LONG-TERM VALUE FOR CLIENTS

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

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

We seek to deliver attractive long-term performance through our stock selection. Clients who choose to work with us can be confident that we will not dilute our investment approach nor embark on asset gathering beyond our implementation capabilities. We can adapt to bespoke needs where solutions are in line with our approach. To this end, we have created new investment vehicles, tailored segregated mandates and multiple new forms of investment reporting in response to client demands. These are further detailed in Principle 6.

ASSESSMENT OF EFFECTIVENESS IN SERVING THE BEST INTERESTS OF CLIENTS

Our client base exhibits many examples of exceptionally long tenure, with some investors that we have been honoured to work with for over a decade, and others for more than two decades. The willingness of many of these longstanding clients to act as a reference for new business opportunities points strongly to the success of our mission and is testament to our quality and efficiency.

The longevity of our business relationships also demonstrates that investors understand that our approach works best over the long term and requires patience during times of short-term underperformance. We believe long-term investment and responsible investment go hand-in-hand. Our average client tenure within segregated mandate portfolios since inception is six years.

We monitor several key internal metrics to assess our effectiveness in serving the best interest of our clients, including client asset inflows and outflows, client retention rates and patterns emerging from the rationale leading to redemptions (e.g., performance-related, asset allocation-related, product suitability-related).

[1] The Comgest Group 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.

Feedback on effective servicing is requested directly during meetings rather than by automated, generic surveys. We regularly ask our clients if they are receiving all the information they need, if we can improve or if there is anything more that we can provide to assist them in monitoring their investment with us. We seek to learn from these discussions, to gain insight into our clients' thinking, their key concerns and any changes in strategic direction. The Investor Relations team's meeting notes are entered into our CRM system and regularly reviewed by the Head of Investor Relations who monitors client meetings for any issues or patterns that may arise, which are then addressed with the relationship management team members. We have considered issuing a broader, more formal survey to our clients, but as a boutique-style asset manager who remains close to its clients, we still believe the best assessment of our effectiveness is obtained via on-the-ground interaction with clients.

We do utilise third-party surveys and studies to assess where Comgest stands relative to other asset management firms with respect to overall client experience. We also send client questionnaires at investor events to gather information and inform our relationship management strategy.

The Investor Relations team conducts monthly world-wide meetings where client trends, needs and issues are discussed. These discussions may lead to changes to our reporting, ESG labelling of products and also amendments to the public fund prospectus documentation (e.g., the 2023 prospectus update for our Irish public funds included a range of ESG-related enhancements to tailor to evolving investor needs as well as regulatory requirements).

Effectiveness can also be demonstrated by the various external scores, categorisations and labels attributed to Comgest with respect to responsible investment:

- In 2010, Comgest made an official commitment to responsible investment by becoming a signatory to the Principles for Responsible Investment (PRI), a voluntary international initiative launched in 2006. In 2023, we received a 5-star rating in two categories: "Confidence building measures (100%)", "Direct - Listed equity - Active fundamental (93%)" and a 4-star rating in the "Policy Governance and Strategy (87%)" category, above median in each of these assessment modules.[2]
- A selection of our strategies applies each year to receive leading European sustainable and responsible investment (SRI) labels: In 2023, Comgest's "Plus" funds again received the Towards Sustainability (Febelfin), FNG and LuxFlag ESG labels, and 10 other public funds have received the LuxFlag ESG label.
- Our products feature on numerous investor buy lists, in multiple geographic regions in their specific "sustainability" or "ESG" categories, demonstrating a product profile that meets investors' needs according to their definitions for this category.
- At the end of December 2023, Comgest had 25.3 billion GBP under direct management, of which 19.2 billion GBP was categorised as Article 8 under SFDR[3] (funds that promote environmental and/or social characteristics), representing 75.9% of all funds and mandates managed by Comgest.

[2] Please refer to the **Assessment Report** for further details on the ratings, which are based on the **PRI Assessment Methodology**.
[3] SFDR refers to the Sustainable Finance Disclosure Regulation implemented by the European Union.

PRINCIPLE 2

Signatories' governance, resources and incentives support stewardship

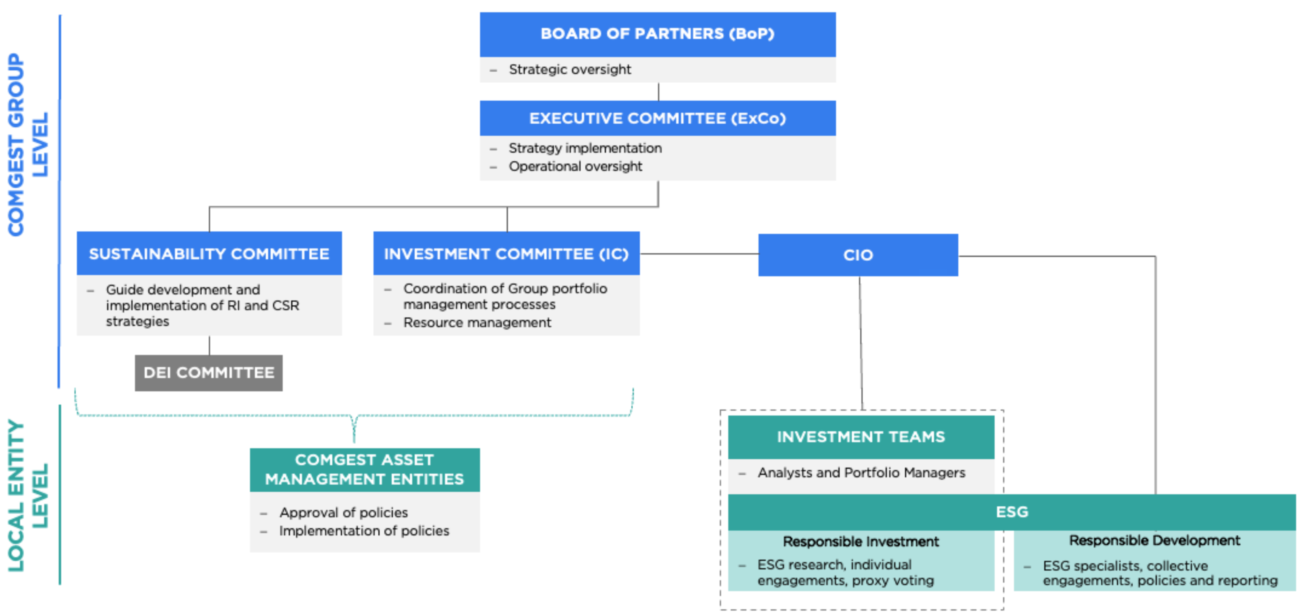
Comgest is an independent group owned by its employees and founders. This ownership structure is central to our approach to stewardship: as an independent asset manager, we are free to implement our investment philosophy without the pressure to respond to short-term market movements; we are also free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

OUR GOVERNANCE

The governance structure of Comgest Global Investors, S.A.S, the Group holding company (shown in *Figure 2*), includes the following governance bodies:

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

Figure 2. Group Governance Structure



Comgest Sustainability Committee

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

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

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

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

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

RESOURCING

Comgest's RI Strategy is implemented by the Group's Investment team with the ESG team as coordinators and stewards of the ESG integration process, under the supervision of the CIO and the Group Investment Committee. The Investment team includes dedicated ESG analysts organised by region.

Investment Team

Comgest's Investment team comprises 49 portfolio managers and analysts organised by geography, including five dedicated ESG analysts (*Figure* 3). With Comgest's singular, quality-focused and long-term approach to investing, we regard ESG credentials as an important component within the team's selection criteria.

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

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

We believe that our approach of integrating ESG responsibility within the Investment team has important benefits in terms of stewardship. Comgest's investment strategy is based on acquiring a deep knowledge of our portfolio companies and building relationships with their management over many years. Our structure ensures that investment professionals who have the deepest understanding of our portfolio companies, and the context in which they operate, are able to bring that knowledge into our proprietary ESG analysis. The Investment team members leverage the work of the central ESG team by using their guidance, training and specialist input.

Dedicated ESG resources

The ESG team is responsible for the day-to-day implementation of the firm's ESG framework, at both corporate- and portfolio-level. Since the hiring of our first ESG analyst more than a decade ago, Comgest's dedicated ESG resources have evolved considerably and as of the end of 2023 comprised nine members who fulfil two distinct functions: Responsible Investment and Responsible Development. Both functions report directly to the CIO.

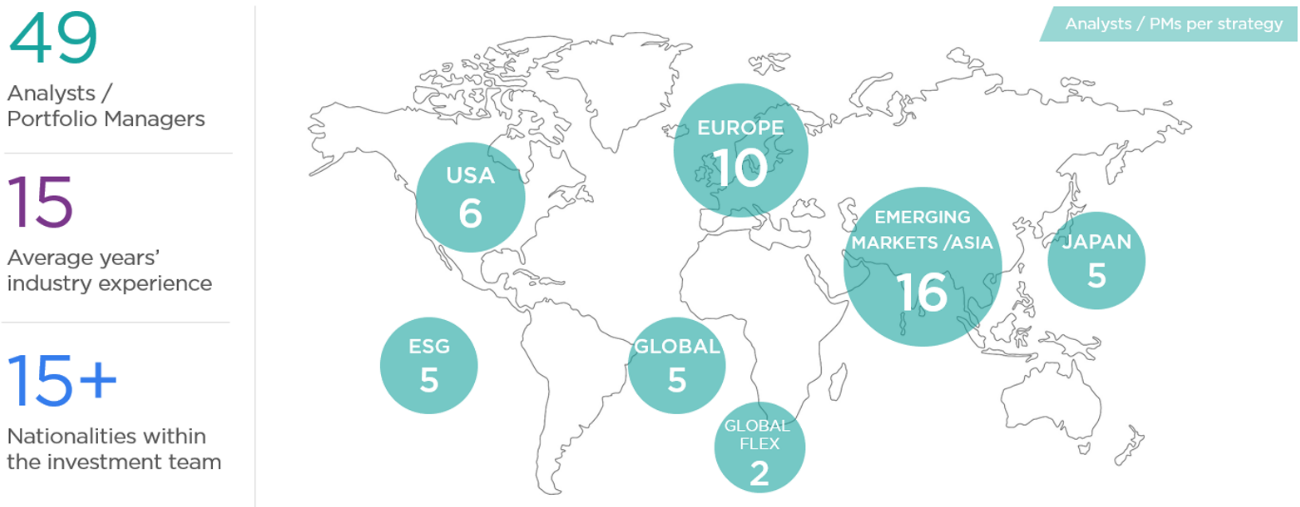
- The Responsible Investment function is carried out by experienced investment professionals, each focused on company coverage within specific geographic regions. Importantly, they are embedded within Comgest's Investment team, rather than operating as a siloed function. As an integrated part of the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

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

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

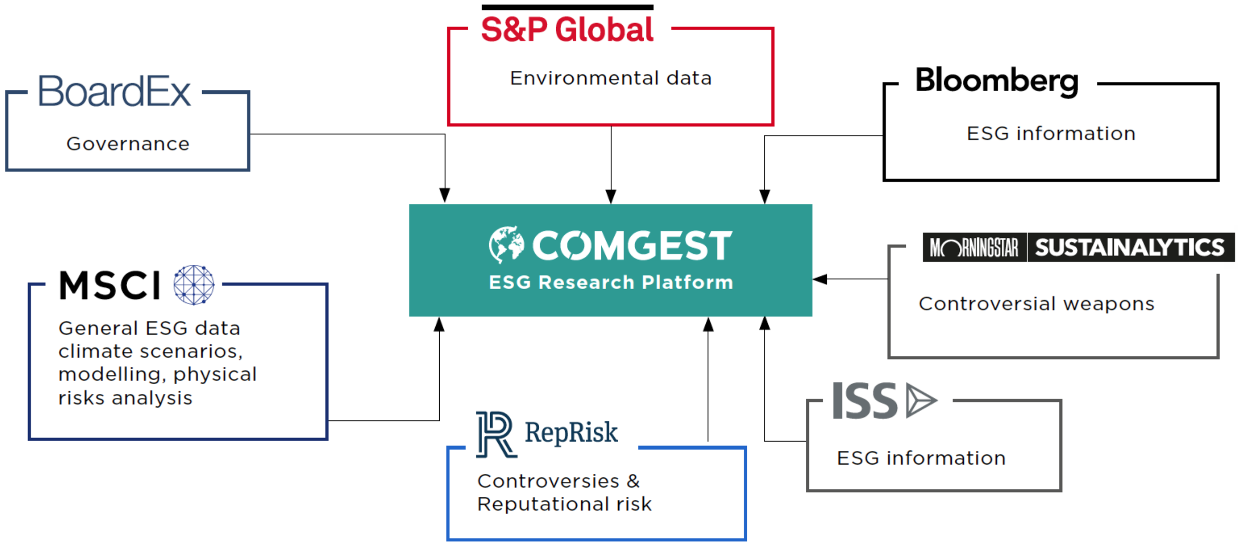
A number of other Comgest professionals are involved in responsible investment implementation including members of the Middle Office, Project Management, Compliance, Risk, Legal, Data Management, Investor Services and Marketing & Communication teams.

Figure 3. Comgest Investment Team



Updated as of 01-Jan-2024.

Figure 4. External Data and Information Providers



TRAINING

Company-wide ESG related training

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

In 2023, Comgest continued its company-wide internal ESG training programme to ensure that the knowledge base across all employees evolves as necessary. Over the year, our training programme covered a broad range of topics including ESG basics, the regulatory environment, biodiversity, climate and the strategy for implementation of our Net Zero commitment.

Dedicated training sessions were also organised for several teams:

- A dedicated ESG workshop during Comgest's annual investment offsite "best practice seminar". This gathers all Investment team members from around the world to learn from our experiences and share best practices. ESG training focuses on both broader topics such as climate change and sustainable finance regulation as well as specific issues relevant to a particular company or industry.
- ESG Q&A sessions organised for Investment and Investor Relations teams to enable them to better understand client queries, the implementation of our ESG strategy, our climate policy as well as the ESG regulatory environment.
- Bespoke training sessions were also organised for employees tailored to the implications for various functions of the company (e.g., Investor Services, Compliance, Legal, RFP, and Risk Management) on evolving ESG topics. The ESG team likes to include ESG case studies to bring topics to life and ensure interactive discussion throughout training sessions.
- We also run training sessions and workshops with external experts and facilitators. For instance, employees are encouraged to join a Climate Fresk workshop to strengthen their knowledge on climate change.

ESG team training

The ESG team members keep their skills, knowledge and thinking up-to-date through their daily research as well as membership in the Responsible Investment Plenary and Corporate Governance Committee of the *Association Française de la Gestion Financière* (AFG – the French Asset Management Association).

In addition, they regularly participate in external training (e.g., the IIGCC[4]), industry events and working groups as well as targeted seminars (e.g., those run by the PRI, industry groups and ESG data providers).

[4] IIGCC refer to the Institutional Investors Group on Climate Change

DIVERSITY

As an equal-opportunity employer, we recognise the importance of all forms of diversity and we understand and value differences between people, including those of different age, gender, nationality, culture, ethnicity, disabilities and sexual orientation. We also seek cognitive diversity and strive to assemble teams of professionals with different educational backgrounds, personalities, skill sets, experience, and knowledge bases. We believe that diversity of skills and viewpoints leads to better informed discussions, greater creativity and open-mindedness and a more stimulating work environment.

Our human resource practices deliberately seek out diverse profiles and our compensation system ensures that all employees are treated fairly. There are over 30 different nationalities represented within our staff and we have achieved gender balance across the wider company, with 48% of our employees and 46% of our shareholder base being female. The firm seeks to have well balanced committees and working groups wherever possible, with equal female representation. Within our Investment team, 33% of the team are women, close to three times the industry average.

Comgest's Diversity, Equity & Inclusion (DEI) Committee comprises six members from various Comgest entities, is 50% women and includes representatives from a range of functions across the firm, including the Investment team.

The DEI Committee is responsible for the development and implementation of DEI initiatives at Comgest as well as for reviewing ongoing external developments and initiatives across the industry.

Comgest implemented several initiatives over 2023 including:

- The DEI Working Group was formalised and is now the DEI Committee.
- A formal DEI Policy was finalised and approved.
- DEI awareness goals were introduced into the annual objective setting campaign.

COMGEST'S DEDICATED ESG RESOURCES

THE BENEFITS OF DIVERSITY

Diversity is one aspect of ESG criteria that we examine in our investee companies, because we believe that it is an important indicator of the potential for higher quality decision-making. The ESG team applies the same standards to itself as it does to other companies.

We have built diversity within the ESG team across several dimensions, resulting in complementary skill sets: 67% of the team are women; the members of the team include six different nationalities, diverse professional experiences prior to joining Comgest; their educational backgrounds cover ten different tertiary education programs in four different countries ranging from Master's degrees in Science to Financial Engineering to International Business Law. We believe it is important for ESG teams to contain a mix of individuals with both financial and non-financial experience to stimulate broad and well-informed debates.

INCENTIVES

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

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

For the Investment team

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

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

PRINCIPLE 3

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

As an independent Group (see Principle 1) owned by our employees and founders, Comgest is not affiliated with any brokers, counterparties or custodians. Comgest Group entities do not actively trade for their own accounts with the exception of the Group holding company which may seed or invest in Comgest funds. Employees do not sit on boards or hold other positions in our investee companies. This independence assists us in avoiding conflicts of interest and in carrying out Comgest's activities based on our long-term objectives and in the best interests of our clients.

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

Our Conflicts of Interest Policy is provided to our clients and is available upon request. The Comgest Group's policies and procedures have been designed to identify and properly disclose, mitigate and/or eliminate applicable conflicts of interest. The Compliance department is responsible for identifying possible conflicts of interest that may arise, ensuring procedures are established to reduce the risk of occurrence and to manage any conflicts that do occur. In the event of a conflict of interest arising despite the organisational and administrative arrangements in place to prevent them, the matter would be raised to the Compliance department, the client or investor concerned would be informed (in an appropriate durable medium), and Comgest would endeavour to resolve the conflict in the best interest of all parties.

CONFLICTS OF INTEREST MAPPING

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

CONFLICTS OF INTEREST LOG

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

Areas of potential conflicts include:

- **Proxy voting:** Potential conflicts may arise in relation to the proxy voting process. We have put in place a number of actions to minimise such risks.
  - Votes are based on pre-determined Proxy Voting Rules and any deviations have to be justified, thereby limiting the discretion of fund managers/advisors and analysts. Clients with segregated accounts may provide us with their own voting rules.
  - Comgest is an independent company and we only provide asset management services, therefore, conflicts do not arise through other activities or through relationships with affiliates carrying out other activities.
  - Employees are required to report any positions held in other companies (e.g., directorships). With the exception of Comgest funds, employees do not sit on boards or hold other positions in the companies in which we invest.
  - We abstain from voting where a conflict of interest may arise. For example, during 2023, where Comgest's open-ended public funds were invested in other funds which are part of Comgest's product range, Comgest decided not to exercise its voting rights at five general meetings relating to these funds.
  - Read the ***Comgest Group Active Ownership Policy*** for further information.
- **Engagement activities:** Conflicts may also arise in connection with our engagement activities. We endeavour to respect rules in relation to acting in concert with other shareholders and employees are appropriately trained to avoid risk of market abuse or access to insider information.
- **Sustainability risks and preferences:** Comgest assesses if in the course of providing investment services a conflict of interest could arise which may damage the interests of a client, including their sustainability preferences or misrepresentation of investment strategies. Conflicts which may arise as a result of the integration of sustainability risks in processes, systems and internal controls are assessed as part of our Conflicts Mapping.
- **Personal dealing:** Comgest's Compliance departments maintain personal dealing rules which require employees to declare all securities accounts and to obtain pre-approval for dealing in securities that are defined as "reportable". The Comgest Group prohibits employees from dealing in securities that are contained within the Comgest "Universe" of stocks (i.e., stocks that are eligible for investment in Comgest-managed portfolios).
- **Outside business activities:** Comgest requires all employees to declare any outside business activities to Comgest's Compliance departments in order to ensure that such activities do not raise any potential conflicts of interest with our clients or activities of the Comgest Group entities. Employees may be prevented from engaging in an outside business activity where a conflict would arise.

CONFLICT RESOLUTION

Comgest makes every effort to prevent conflicts of interest and, should they arise, to resolve them equitably in the interests of its clients.

Where arrangements put in place by Comgest cannot prevent, with reasonable confidence, conflicts of interest from adversely affecting the interest of a client, Comgest shall disclose to the client the general nature and/or sources of the conflict of interest and the steps taken to mitigate those risks before undertaking business on behalf of the client.

Notwithstanding the robustness of our policies and processes, we believe that our partnership structure is our most effective tool against conflicts of interest, because it creates strong alignment between our clients' interests and our own.

PRINCIPLE 4

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

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

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, and we look to bring awareness to these risks through engagement with our investee companies and through our support for industry-wide initiatives.

OUR RISK MANAGEMENT PROCESS

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

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

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

This risk assessment method uses the following structure:

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

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

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

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

- Failure to understand the impacts of Climate and other ESG issues on the business and to adapt processes and controls accordingly;
- Failure of management to appropriately prioritise and allocate resources to ensure that the business adapts to this change appropriately;
- Inability to manage client investment restrictions or objectives in relation to climate or other ESG issues;

- Systems are not adapted in order to manage client restrictions or reporting requirements in relation to climate or other ESG issues;
- Absence of data to meet client or regulatory reporting requirements in relation to climate or other ESG issues; and
- Absence of staff knowledge or training.

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

RISKS INHERENT TO FINANCIAL MARKETS

We believe that there is a risk that benchmarks and indices can in some circumstances distort financial markets. The weight of individual index constituents may become detached from their fundamental value, while investors may be forced into short-term or "herd" behaviour in an attempt to track a stated benchmark.

Comgest is an active, benchmark-agnostic investor, which we believe is consistent with our fiduciary duties and enables us to contribute to preserving the price discovery mechanisms that are essential to a well-functioning financial system.

MARKET-WIDE AND SYSTEMIC RISKS

Comgest is a fundamental investor, and our research focus is at the company level, rather than commencing our research at the macro-economic level. By conducting thorough, on-the-ground research, we are able to identify emerging risks that are affecting companies across our investment universe. This is especially true for systemic risks that are associated with ESG factors: as shown in *Figure 1*, these factors are specifically addressed in the research process. The collaborative nature of our Investment team's organisation means that areas of concern uncovered by one regional team will be shared with their colleagues in other regions, which is particularly valuable in considering the risks affecting globalised sectors of the economy. This enables us to monitor and deepen our understanding of thematic risks.

Our response to these risks is first to provide transparency to our clients. We started reporting on environmental and carbon footprints in 2011 and have expanded on this over the years to include portfolio data on social factors, such as the effective tax rates of our portfolio companies. Our ***Annual Responsible Investment Report*** also includes an assessment of the transition risks and physical risks related to climate change relevant to companies in our portfolios as well as the impact and dependency of our portfolio companies on biodiversity.

Monitoring systemic and market-wide risks using specific ESG factors and key indicators is a necessary (but not sufficient) first step in our attempt to tackle critical matters like climate change, biodiversity loss and human rights violations. We think a broader view is mandatory to properly assess Sustainability Risks that could lead to future global disruptions that have never been experienced. Our research and risk monitoring process therefore places great emphasis on assessing "outside-in" risks (external factors affecting well-functioning businesses and global markets) as well as "inside-out" material impacts caused by our investments to environmental, social or global economic factors (using Principal Adverse Impacts for the latter).

CLIMATE CHANGE: ASSESSING CLIMATE-RELATED RISKS

Rising temperatures have already led to irreversible impacts across ecosystems (i.e., terrestrial, freshwater, ocean) and human systems (i.e., water scarcity and food production, health and well-being, cities, settlements and infrastructure) worldwide. Every incremental aspect of global warming will increase the frequency and intensity of weather events and will translate into additional severe risks for businesses, people and nature. At the same time, curbing global greenhouse gas emissions will imply a far-reaching transition across all sectors translating into both transition risks and opportunities for companies.

As long-term quality growth investors, we believe that understanding our investee companies' climate-related risks and opportunities and engaging with them on material climate issues strengthens our research and investment process to deliver durable earnings to our clients.

Material climate-related risks and opportunities are integrated into our analysis of companies and into our investment decision-making process.

Our company and ESG analysts, who are regularly trained on climate-related topics, are responsible for identifying and assessing these material climate issues.

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

Comgest also measures the carbon footprint of our portfolios and mainly uses a Carbon to Value metric. Using MSCI data, the metric allows us to estimate scope 1, 2 and 3 greenhouse gas emissions (GHGs) of a given portfolio's holdings per million of portfolio currency invested, with the enterprise value including cash as the attributing factor.

By calculating carbon footprints, we can identify: (i) which companies emit the most GHGs in absolute terms; (ii) whether portfolio companies emit higher levels of GHGs than others in the same sector; and (iii) which companies fail to provide data on GHGs. These companies can then be prioritised for engagement.

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

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

To provide transparency to our clients, we include climate data in our monthly fund fact sheets, available on our regional websites, and give additional, detailed information on our climate action in our Annual Responsible Investment Reports and Quarterly Responsible Investment Reports. This includes sharing updates on our progress against our Net Zero Asset Managers (NZAM) initiative targets which apply to 100% of our listed equity AUM and were accepted by NZAM in March 2023.

CLIMATE-FOCUSED INTERNAL RESEARCH

When material climate risks are identified, we carry out climate-focused internal research. For instance, in 2023, our Investment team, supported by our ESG analysts, ran an in-depth analysis of the climate-related risks faced by two European airline companies held in our portfolios: Ryanair and Wizz Air. These two companies have been identified as the largest contributors to our portfolios' Climate VaR, especially considering aggregated transition risks.

Aviation accounts for approximately 2% of global GHG emissions[5] and close to 4% of the EU's emissions[6]. Furthermore, aviation is one of the fastest-growing sources of GHG emissions. Before the COVID-19 crisis, the International Civil Aviation Organisation forecasted that by 2050 international aviation emissions could triple compared with 2015.

[5] https://www.iea.org/energy-system/transport/aviation
[6] https://climate.ec.europa.eu/eu-action/transport/reducing-emissions-aviation_en

As international travel demand recovers following the pandemic, the challenge of achieving the European Green Deal's 2050 target of reducing transport emissions by 90% by 2050 becomes more complex. The aviation sector will have to contribute to the reduction and the fact that the EU has included the sector in the EU emissions trading system (EU ETS) since 2012 sets the tone: decarbonisation is a must for airlines, whether it is proactive or reactive to tightening regulations will depend on the companies.

Assessing this climate transition risk and quantifying its financial impact is central to our Investment team's work. The team developed two scenarios, with varying carbon costs:

- Scenario 1: Free allowances are maintained in the EU ETS and the tonne of CO2 is priced at €25 per tCO2.
- Scenario 2: Free allowances are removed in the EU ETS and the tonne of CO2 is priced at €100 per tCO2.

In scenario 1, both companies face similar EBIT[7] impacts, where carbon costs represent close to 15% of EBIT. In scenario 2, carbon costs grow exponentially, and our analysts estimate that companies will have to raise fares between 10% and 15% to pass on the additional costs linked to losing access to free allowances and the raised cost of CO2 per tonne.

If EU ETS carbon pricing represents the bulk of our quantification of the climate transition risks, fuel price increases linked to access to Sustainable Aviation Fuels (SAF) and the Kerosene Tax linked to the revision of the EU's Energy Taxation Directive do not help in balancing the equation: an equation with increasingly unknown variables, as consumers' behaviours change either due to price increases and/or their willingness to reduce their personal carbon footprints.

To fly through this turbulence of uncertainty, the ESG team defined the cardinal elements they wanted to see to validate and monitor the long-term investment thesis. These include, for example:

- Carbon intensity reduction progress versus target, using gCO2 per revenue passenger kilometre (gCO2/RPK);
- On track delivery of fuel-efficient planes;
- Fleet average load factor;
- EU ETS carbon market price (€/tCO2); and
- Ramp up of SAFs, with underlying KPIs relating to access and cost.

Tracking these KPIs not only guides our analysis of the companies, but also drives the dialogue we hold with them. SAF pricing and availability were part of our discussion with companies in Q1 2023. We further engaged with Ryanair in Q2 on reduction of free EU ETS allowances and their progress regarding SAF supply.

Even if the companies remain exposed to high risks, a clear upside can be found in the fact that the bulk of airlines emissions is linked to scope 1 (i.e. their own operations). Both companies can be direct actors of their transition and proactively sustain ESG-related competitive advantages.

For instance, Wizz Air has invested in the youngest European fleet and believes that 98% of its emissions reductions will be derived from fuel-efficient planes. These planes, which are 15% more fuel-efficient, should represent 100% of its fleet in 2028. Furthermore, none of the company's routes under a four-hour travel time can be replaced by a train and 65% of its passengers travel to visit friends and relatives, a category less prone to drastic flight reduction.

For Ryanair, SAFs have become a differentiator as the company continues to invest in its Sustainable Aviation Research Centre. The company targets powering 12.5% of its flights with SAF by 2030 and has secured memorandums of understanding with several companies (Neste, Shell and OMV) to deliver on its target.

[7] EBIT refers to earnings before interest and taxe

MITIGATING CLIMATE-RELATED RISKS

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

Additionally, our Group-wide exclusion criteria on thermal coal mining and coal-fired power generation allows us to manage portfolios with significantly lower climate risks than comparative indices. Furthermore, in 2023, we formalised our stance on the Oil & Gas sector (O&G).

Exploration or development of new oil and gas fields, as well as the use of unconventional practices, have severe environmental impacts and face significant climate-related risks, notably transition risks (i.e., stranded assets risks).

Although energy and utilities companies are usually absent from or significantly underweighted in our portfolios, we screen our portfolios on a quarterly basis, using MSCI data and Urgewald's Global Oil & Gas Exit List (GOGEL), to identify all companies that are exposed to the following activities:

- Unconventional O&G extraction;
- Upstream development and expansion;
- Midstream development; and
- Downstream development of gas-fired power.

This screening process forms part of the overall ESG analysis of companies and contributes to our analysts' assessment of ESG risks. Understanding companies' exposure to O&G development is also taken into account to define engagement objectives.

BIODIVERSITY

The loss of biodiversity undermines the ability of nature to provide ecosystem services on which society and businesses rely. Biodiversity loss is a systemic risk: investors are exposed to physical risks when they invest in economic activities that depend on ecosystem services and to transition and reputational risks if companies that they invest in have a disproportionately negative impact on biodiversity. It is therefore necessary for investors to understand the extent to which the risks resulting from biodiversity loss will lead to financial risks, over what timescale, and how these risks contribute to the total risk profile of the investee companies and portfolios we manage.

We assess both the impact and dependency of our investee companies on biodiversity. The dependency and impact of companies on biodiversity can be direct (direct physical impact compromising production processes) or indirect (via the value chain). Comgest may invest in companies that have higher exposure to biodiversity related risks, such as deforestation or intensive agricultural production. In such cases, we specifically include biodiversity and its protection in our assessment of ESG risks to the company's operations.

Our analysis includes: the extent of the company's impact on biodiversity; the measures being taken by the company to mitigate this impact (preservation, restoration, education of suppliers, procurement guidelines, etc.); and the targets and timeline that the company has set to reduce adverse impacts.

In 2023, we developed an internal assessment methodology to measure the impact and dependency of our investee companies on nature and developed a classification system (very high, high, medium, low and very low) using data from ENCORE[8] for dependency and data from SBTN[9] for impact assessment. These additional metrics assist our company and ESG analysts to better assess our investee companies' impact and dependency on biodiversity. Companies identified as having material exposure to biodiversity risks may be identified for individual engagement or coordinated actions such as collaborative engagements and advocacy initiatives. We continue to evolve our assessment methodology in this area, as described in the further developments section.

[8] Exploring Natural Capital Opportunities, Risks and Exposure
[9] Science Based Targets Network

THEMATIC FOCUS: DEFORESTATION

Establishing a Deforestation Policy

Deforestation and natural ecosystem conversion have been proven to be important drivers of global warming, biodiversity loss and severe human rights violations of indigenous peoples and local communities. With Comgest's long-term investment horizon, it is clear that these environmental and human rights issues may have material impacts on the companies in which we invest. Halting deforestation plays a key role in reducing such impacts and risks for businesses, people and nature.

In order to take an active approach in addressing this important topic, Comgest became a signatory to the Financial Sector Commitment Letter on Eliminating Commodity-Driven Deforestation. As a signatory to this initiative, Comgest has made commitments to assess exposure linked to deforestation and report on its progress.

In line with our commitment, Comgest established a Deforestation Policy in 2023 which sets out how we assess risks linked to deforestation and how we intend to mitigate the risks identified.

Assessing portfolio companies' exposure to deforestation-related risk

Comgest is committed to carefully monitoring and managing deforestation-related risks within our investment processes.

Comgest uses data from multiple external providers (MSCI, Forest 500 and the CDP Forest Questionnaire) to assess our portfolio companies' exposure to deforestation related risks. Comgest screens our investee companies to identify the ones that are most exposed to deforestation-related risks and assess how they are addressing and managing these risks.

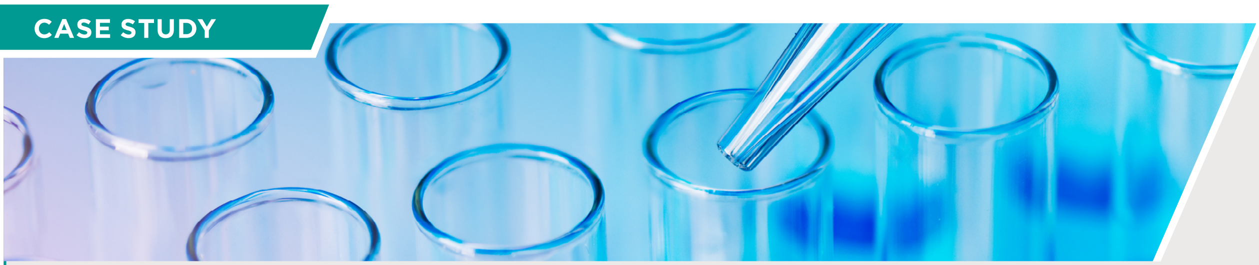
As part of our assessment of high-risk companies, we have identified 22 investee companies that are exposed to high deforestation-related risks, representing 10.6% of our AUM.

Mitigating deforestation-related risks through active ownership

Following our assessment, Comgest launched in 2023 a three-year engagement programme to engage with the high-risk companies.

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

CASE STUDY



ENGAGING ON HAZARDOUS CHEMICALS

The widespread production and use of hazardous chemical, particularly per- and polyfluoroalkyl substances (PFAS), have been a pressing concern in recent years. PFAS is a family of around 4,700 man-made chemicals, termed as “forever chemicals” due to their persistent nature, many of which are hazardous to humans and the environment.

As a long-term quality growth investor, we believe that engaging with our investee companies enables us to understand their ESG risks and opportunities, which strengthens our research and investment thesis. These discussions can sometimes lead to improvements of the companies’ practices and earnings sustainability.

Hazardous chemicals represent a notable ESG risk for some of our investee companies in the chemical sector. Companies in the chemical sector may be exposed to reputational risk as well as liability and insurance risks associated with controversies. In addition, countries around the world are adopting stricter regulations on hazardous chemicals, therefore companies heavily reliant on hazardous chemicals are facing transition risks. This also presents an opportunity for companies which properly manage these transitions risks by adopting good disclosure practices and setting clear targets.

To maximise the impact of the engagements that we carry out, we combine several approaches: individual engagement is ideal to discuss with companies the pressing and material topics impacting the business at hand and to maintain an ongoing dialogue; while collaborative engagement is useful to collaborate with like-minded investors in order to better understand our investee companies’ exposure to certain risks and encourage best practice.

Individual engagement with Daikin

In June 2022, following a TV broadcast in France alleging that a chemical plant owned by Daikin had discharged PFAS in a river and contaminated the environment, which raised the question of health risks to local residents, our analyst reached out to the company to initiate a discussion. The company was not able to provide us with full information as an investigation by French environmental authorities was pending and prevented them from disclosing information until it was completed. We resumed our engagement in February 2023 to follow up on this controversy, however, the company still could not provide us with any major update.

While the controversy has not been fully resolved, to follow up on its overall efforts to reduce PFAS emissions and mitigate the relevant risks, we had two other meetings with the company in June and July 2023. We discussed the general risks facing Daikin in relation to potential changes in regulation regarding the use of certain chemical components as refrigerants in air-conditioning equipment. The company explained the various obstacles and challenges involved to entirely phase out PFAS and its efforts to work on solutions that would best reconcile the trade-offs between the various business and environmental parameters (global warming potential, PFAS capture, safety, cost, etc.). As a result of the engagement, we revised our estimate of the level of severity of the risks involved, now considering them to bear somewhat more uncertainty than previously perceived. We also downgraded the company’s ESG Quality Level in our proprietary ESG rating system, while continuing to assess and monitor the relevant risks.

CASE STUDY

ENGAGING ON HAZARDOUS CHEMICALS (cont'd)

Collaborative engagements with LG Chem and Shin-Etsu

Recognising the industry-wide risk, we joined a collaborative engagement through Investor Initiative on Hazardous Chemicals (IIHC), in order to assess the hazardous chemical risks of chemical companies we invest in and to encourage them to improve their transparency and sustainability practices. For two consecutive years (2022-23), Comgest co-led the engagements with two companies – LG Chem and Shin-Etsu. Since the engagements did not make significant progress in the first year, we continued our efforts to engage with these companies in 2023.

During our engagement in 2022, LG Chem only provided us with a written response. In 2023, we reached out to the company again and succeeded in arranging a meeting where we discussed the details of its exposure to hazardous substances and chemical management strategy, as well as the challenges of entirely phasing out hazardous chemicals.

In our engagement with Shin-Etsu in 2023, in addition to continuing the discussion on hazardous chemical substances and chemicals management from the 2022 engagement meeting, we particularly focused on emphasising the importance of disclosure and encouraging the company to engage with ChemSec, as it helps investors and stakeholders better assess risks and reduce possible misunderstandings caused by information asymmetry. As a result of the engagement, we received positive feedback from ChemSec on our engagement, as Shin-Etsu reached out to ChemSec for the first time to request a discussion. In November, ChemSec published the 2023 Chemscore, and Shin-Etsu was ranked 17th, a significant improvement from the previous year's 44th position. In our follow-up emails, Shin-Etsu informed us that as a result of our engagement, they intended to improve the disclosure in their 2024 Sustainability Report.

In 2024, we will continue to engage with both companies and follow up on their progress.

GLOBAL GEOPOLITICAL AND POLITICAL RISKS

Among the market-wide and systemic risks that we consider to be most significant, the continuous rise of global geopolitical and political risks in various countries feature highly. The progressive inversion of globalisation has become a long-enough trend to have gathered a slow but powerful momentum. Ongoing tension between China and the U.S., as well as political instability in many countries is creating a multi-polar world, wherein singular events can trigger unpredictable but very costly chain reactions.

In 2023, the situation in the Middle East took a turn for the worse and, beyond the human tragedy, we have seen many supply chains being disrupted, which served as a reminder of the fragility of some of them.

Over the summer of 2023, the BRICS summit turned into a BRICS+ summit with six new joiners coming to this club to forge an alternative world order reinforcing multi-polarity and dislocation risks to the global system because of its balkanisation.

In 2024, amid the backdrop of a widespread democratic recession close to 40% of the global population, representing 60% of the global GDP and 80% of the global market capitalisation, will hold important elections.

With very large fiscal and current account deficits, potential political changes in certain influential nations could introduce market-wide and systemic risks if those changes were to jeopardise democratic institutions, trust in the currency or long-term solvency and the rule of law in these countries. While inherently hard to predict and model, these risks can be discussed and analysed using scenarios to illustrate the potential damage or resilience of companies and sectors around specific timelines, such as elections dates or other political events.

CASE STUDY

ENGAGING WITH POLICYMAKERS

The European asset management industry has been through a lot of changes since the introduction of the Sustainable Finance Disclosure Regulation ("SFDR"). We understand there was a great need to align certain definitions and enhance the transparency around some practices to avoid the risk of proliferating unsubstantiated claims. In the past, this industry has been criticised, and at times fined, for mis-selling or misleading marketing. In hindsight, regulating multi-faceted, complex, and diverse claims around ESG issues was bound to require a lot of work and time, and the European Union may not have given itself enough time between the preparation and implementation of SFDR. It is fair to say that, in 2022, most market participants and observers were feeling SFDR fatigue and frustration.

Based on this, we engaged with representatives from the PRI in the fall of 2022 to organise feedback channels so that we could share what in our view was honest and constructive feedback. We also took part in various working groups and meetings with other asset managers and representatives of the Autorité des Marchés Financiers (AMF – the French Market Authority) to identify what should be clarified, strengthened or removed based on our experience of what was useful and practical. We actively participated in two separate workshops set up by the PRI with representatives of policymakers from various jurisdictions. We made our views public in the media and at client events. We also went to Brussels to meet representatives of the European Commission with a small group of asset managers and asset owners. We further responded to the European Commission's consultation on the implementation of the SFDR regulation in December 2023 with the hope that our responses and recommendations can help improve the SFDR framework.

We have been very active in voicing our concerns because we believe that regulation can sometimes have unintended consequences which can negatively impact the responsible and sustainable investment market in Europe.

CASE STUDY

PROVIDING FEEDBACK ON ESG LABEL REQUIREMENTS

ESG and SRI labels provide external assurances to investors who seek industry-recognised accreditation of ESG approaches and require targeted exclusion criteria. Our Comgest Plus fund range adopts our long-term quality growth investment philosophy while specifically adhering to requirements of leading ESG labels such as the Towards Sustainability Label, supervised by the Belgium Central Labelling Agency (CLA).

From November 2022 to June 2023, the CLA organised the revision process of the Towards Sustainability Label. Throughout this process, label holders were invited to provide feedback on the new labelling criteria.

Comgest provided feedback during both rounds. Our interactions with CLA representatives were key to sharing our views on the operational feasibility of suggested changes and to highlight any difficulties we had foreseen, while embracing the overall objective of the revision, which was to further strengthen the label's requirements in a rapidly evolving sustainable finance space. Overall, we deeply appreciated having been able to provide our input and noted that most of the questions and comments we raised were taken into consideration.

ADHERENCE TO INTERNATIONAL STANDARDS AND SUPPORT FOR INITIATIVES

In addition to acting on the findings of our own research, we support a number of industry-wide initiatives that help us to deepen our understanding of market-wide and systemic risks and add our weight to efforts to respond to them. They also provide us with an external lens through which we can analyse our effectiveness in responding to such risks, as discussed below.

Participation in responsible investment working groups, committees and initiatives

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

INITIATIVE	DETAILS
Association Française de Gestion (AFG)	Comgest is a member of: – AFG's* Responsible Investment Plenary to contribute to the development of responsible investing within the French asset management industry, and – AFG's Corporate Governance Committee to contribute to the development of the Corporate Governance Code for the French asset management industry. Topics include responsible investment regulations, ESG standards, sharing of best practices, governance codes, collaboration on response to French and European regulators' consultation papers, advocacy as an industry association. **AFG is the French asset management industry association.*
Institut Français des Administrateurs (IFA)	Comgest is a member of the IFA's Prospective & Research working group which aims to identify and analyse emerging governance topics.
The Irish Funds Industry Association (Irish Funds)	Comgest is a member of the representative body for the international investment fund community in Ireland. Comgest contributes to working groups and discussions including on responsible investing.
Investment Company Institute (ICI)	The Investment Company Institute (ICI) is the leading association representing regulated investment funds. It aims to help strengthen policy and regulatory frameworks and to encourage sound governance, operational and fiduciary practices.

Supporting sustainability and responsible investment initiatives

INITIATIVE	DETAILS
Principles for Responsible Investment (PRI)	Comgest has been a signatory since March 2010. In 2023, we received a 5-star rating in "Direct - Listed equity - Active fundamental (93%)" and "Confidence building measures (100%)", and a 4-star rating in "Policy Governance and Strategy (87%)", above median in each of these assessment modules. Comgest's latest PRI Transparency Report and Assessment Report can be found on our *website*.

Standards and initiatives related to climate

The Comgest Group has chosen to adhere to or support, as appropriate, the following climate related standards and/or initiatives.

INITIATIVE	DETAILS
Net Zero Asset Manager Initiative (NZAMi)	Comgest became a signatory to this initiative driven by an international group of asset managers committed to supporting the goal of net-zero greenhouse gas emissions by 2050 or sooner.

INITIATIVE	DETAILS
Task Force on Climate-related Financial Disclosures (TCFD)	Comgest has supported the TCFD since 2017 and encourages all portfolio companies to align disclosures to the TCFD recommendations.
Climate Action 100+	Comgest has been a signatory to Climate Action 100+ since 2017, an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change.
CDP	Comgest has supported the Carbon Disclosure Project (CDP) since 2012 and participated in the following: – CDP Non-Disclosure Campaign (since 2018) – CDP SBTi campaign (since inception in 2021) – CDP Transition Plan Campaign (2023) – CDP Green Finance Accelerator (2023)
Say on Climate Forum pour l'Investissement Responsible (FIR) *French Sustainable Investment Forum*	Comgest became a signatory to the FIR's "Say on Climate" investor campaign which asks companies to present ambitious climate plans and targets, allowing investors to then vote.
Institutional Investors Group on Climate Change (IIGCC)	In 2023, Comgest became a member of this European group for investor collaboration on climate change.
Avoided Emissions Initiative	Comgest is one of the founding partners of this initiative aiming to standardise the calculation of avoided emissions. The 10 partners supporting the initiative are working with specialised consultants to develop a global database of greenhouse gas emission avoidance factors for low-carbon or green enabling solutions.

Standards and initiatives related to other environmental factors

INITIATIVE	DETAILS
Deforestation Free Finance	Comgest joined this initiative in 2021 and is one of the signatories to the Financial Sector Commitment Letter on Eliminating Commodity-driven Deforestation. The signatories recognise the vital role of financial institutions in tackling deforestation and commit to adopt the roadmap proposed by the Deforestation-free Finance Project by 2025, aligned with a Paris Agreement-compliant 1.5°C pathway.
FAIRR Initiative	Comgest has supported the FAIRR Initiative since 2020 which is a collaborative investor network that raises awareness on ESG risks and opportunities brought by intensive livestock production. In 2023, Comgest signed a FAIRR-led investor statement calling on the G20 Finance Ministers to repurpose their agricultural subsidies in line with climate and nature objectives. This statement follows the Global Biodiversity Framework agreed in Montreal.
Investor Initiative on Hazardous Chemicals (IIHC)	Comgest is an active member of this initiative, which aims to reduce the impacts on human health and the environment from the manufacture of hazardous chemicals, thereby reducing financial risks to investors in these companies from litigation, regulation and threats to their license to operate. In 2023, Comgest co-led the engagements with two companies, and signed two letters together with members of IIHC: – In Q1 2023, Comgest signed a letter to European Commissioners which urged the European Commission to protect the EU Taxonomy's ambitious, proposed chemical criteria in order to encourage sustainable innovation and development of safer chemicals. – In Q4 2023, Comgest signed a new letter targeting the world's 50 biggest chemical companies following the release of ChemScore's 2023 rankings. The letter called for a time-bound phaseout plan, increased transparency on production, and greater investment in safer alternatives.

INITIATIVE	DETAILS
Nature Action 100	Comgest joined this engagement initiative in 2023, which is focused on driving greater corporate ambition and action to reduce nature and biodiversity loss. Investors participating in the initiative engage companies in key sectors that are deemed to be systemically important in reversing nature and biodiversity loss by 2030.
Investor Policy Dialogue on Deforestation (IPDD)	Comgest has been a member of the IPDD Brazil since 2020, a collaborative investor initiative to engage with public agencies and industry associations in selected countries on the issue of deforestation. Throughout 2023, many engagement activities took place with members of the Brazilian government, central banks, legislative representatives, and other stakeholders. The IPDD also organised several educational sessions on a variety of topics including a presentation on the risks for deforestation increase posed by Brazil's temporal milestone bill, a presentation on Brazil's environmental licensing bill and an overview of relevant EU regulations that could have impact on deforestation.
Partnership for Biodiversity Accounting Financials (PBAF)	Comgest is a member of this industry-led partnership that enables financial institutions to assess and disclose impacts and dependencies on biodiversity of their investments. Joining this partnership will help Comgest be better equipped to assess and measure nature-related risks.

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

INITIATIVE	DETAILS
Access to Medicine Foundation	Comgest has supported the Access to Medicine Foundation since 2019, an independent non-profit organisation which analyses how the world's largest pharmaceutical companies are addressing access to medicine.
PRI Advance Platform	Comgest has endorsed the newly created PRI Advance platform focused on human rights and social issues since July 2022.
Investor Alliance for Human Rights	Comgest signed the Investor Alliance for Human Rights' statement. The initiative is a collective action platform for responsible investment that is grounded in respect for people's fundamental rights.
30% Club France Investor Group	Comgest has been a member of the 30% Club France since 2022. This collaborative engagement initiative is comprised of asset managers and asset owners and expects executive management teams of SBF 120* companies to appoint women to at least 30% of seats by 2025. The initiative also expects companies to be transparent regarding the procedures used to find and appoint new members to the executive management team and how that process ensures a diverse leadership committee. *"SBF 120" refers to companies listed in the French stock market index, "Société des Bourses Françaises 120".

FURTHER DEVELOPMENTS IN 2024

As mentioned above, Comgest is a signatory to the Net Zero Asset Managers initiative and as such we track our annual progress. During 2023, we focused on identifying our engagement targets and commencing engagements. In 2024, we will look to enhance our reporting on our engagement threshold target and to further improve our engagement programme focusing on the material climate risks and opportunities we have identified as well as companies' transition plans.

In addition, Comgest continues to work on identifying further tools to better assess investee companies' impact and dependency on biodiversity. In 2024, Comgest intends to implement a comprehensive Policy on Nature covering both biodiversity and deforestation. We will also continue to enhance our engagement activities and reporting on these topics.

PRINCIPLE 5

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

INTERNAL REVIEWS

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

APPROVAL OF THE ANNUAL UK STEWARDSHIP CODE REPORT

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

INTERNAL AND EXTERNAL ASSURANCE

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

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

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

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

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

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

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

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

In 2023, the Internal Control team performed a review of our proxy voting and all ESG-related processes including ESG integration in the investment process, exclusion lists, engagement, ESG assessment and ESG reporting. An audit covering ESG integration in the investment process and compliance with regulatory obligations was also conducted. Our third-party external assurance provider also reviewed our investment and proxy voting processes as part of its annual ISAE 3402 review.

FAIR, BALANCED AND UNDERSTANDABLE STEWARDSHIP REPORTING

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

IMPROVEMENT OF STEWARDSHIP POLICIES AND PROCESSES

We constantly seek to improve and evolve our policies and processes in light of industry developments, regulatory changes and best practices. In 2023, several changes were implemented:

- We made changes to our Active Ownership Policy (previously Voting & Engagement Policy) with key updates including further definition of engagement types (information exchange and objective-driven engagements) and details on how engagements are prioritised and monitored.
- We further updated our Responsible Investment Policy with key updates including the inclusion of a Human Rights Policy, a Deforestation Policy and a Climate Policy.
- We enhanced our Exclusion Policy.
- We updated our Plus Funds Exclusion Policy with key updates including further monitoring of board gender diversity and GHG intensity metrics.
- To ensure our Sustainability Committee members are kept informed of any ESG-related issues that may arise, we established monthly and quarterly reports to cover several topics including regulatory updates, material controversies and reputational risks, material ESG client activity, material engagements and entity level ESG-related risks.

PRINCIPLE 6

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

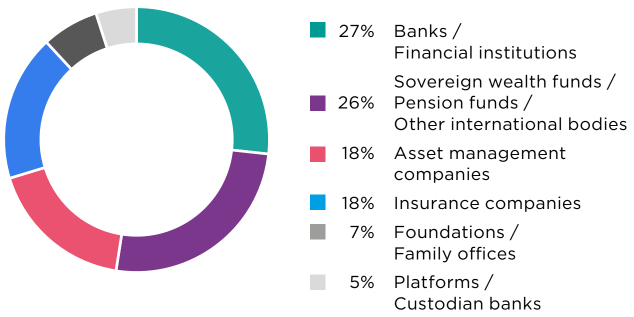
Comgest works in the spirit of partnership and transparency with our clients, and the majority of our assets under management are managed on behalf of long-term oriented, institutional investors who, like us, are prepared to be disciplined and patient.

The development of a trusted partnership with our clients is a key element in implementing our philosophy, and with this comes a duty to provide high-quality performance, servicing and reporting.

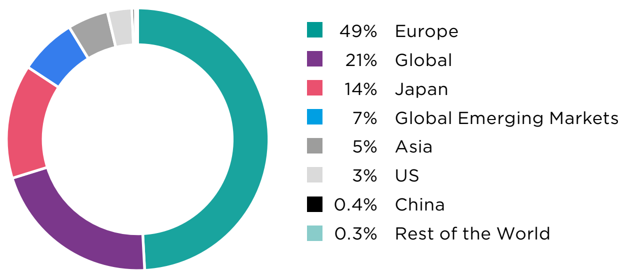
Figure 5 shows our asset breakdown by type of client and geography (please note that we only manage equity portfolios so there is no breakdown by asset class).

Figure 5. Comgest Asset Breakdown

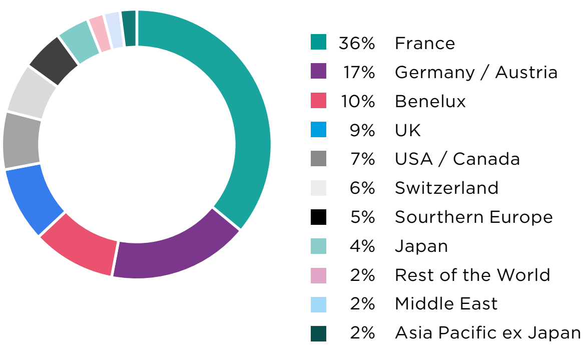
Clients by Type



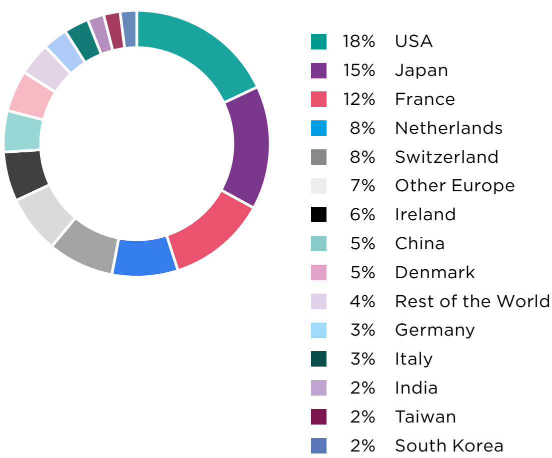
AuM by Strategy



Clients by Geography



AuM by Geography



Source: Comgest, data as of 31-Dec-2023; rounded figures may not add up to 100%.

RESOURCING OF CLIENT SERVICE TEAMS

Comgest has invested in building highly experienced and well-resourced Investor Relations, Marketing Communications and Investor Services teams, now comprising over 40 professionals based in proximity to our clients across our international offices.

Investor Relations team

We offer a dedicated and tailored approach to client service. Our 22-strong, multilingual Investor Relations team, based in nine different locations, is responsible for developing durable client relationships that enable us to understand and anticipate client needs. Our Investor Relations professionals are first and foremost dedicated to relationship management.

Clients are serviced across the Investor Relations team according to geography and/or language skills.

The team maintains up-to-date knowledge of industry developments as well as client trends and sensitivities as they evolve in each market. The team members hold regular meetings with clients to discuss their servicing requirements.

Investor Services and Marketing Communications teams

The Investor Services and Marketing Communications teams are based in Paris, London, Düsseldorf, Amsterdam, Tokyo, and Milan, and produce all forms of client reporting, presentations as well as manage external communications, in multiple languages. The teams also respond to specific client information requests, working closely with the Investor Relations team.

UNDERSTANDING AND RESPONDING TO CLIENT NEEDS

The Investor Relations team seeks to ensure that interactions with clients address two key questions:

- Does the client or prospect have a clear understanding of our investment philosophy and beliefs and how are these are expressed in the portfolios?
- How can we improve the service we provide to the client?

The Investor Relations, Marketing Communications and Investor Services teams work closely with clients to ensure they receive the desired frequency of reporting, updates (performance/market/firm) and face-to-face meetings. All interactions contribute to our understanding of client needs. At formal portfolio review meetings, the Investor Relations team proactively asks questions about client satisfaction levels with respect to information and servicing. These review meetings are regularly attended by senior members of Comgest's Investment and ESG teams, so that our clients also maintain direct contact with the key stakeholders involved in the management of their portfolio. We receive valuable feedback through listening to a variety of contact points from our investors, such as reporting and back-office teams, operational due diligence teams, independent board members and investment committee members, as well as investment personnel.

We believe that this personalised approach is appropriate for our business model and client relationships.

Our client base requires an increasingly bespoke level of investment portfolio tailoring and service, which may involve segregated mandate solutions (28% of our AUM) and tailored reporting. We seek to ensure that we have sufficient resources and expertise in our client-facing teams to implement our chosen approach successfully.

We assess the effectiveness of the measures we have put in place to understand and respond to client needs through a number of key indicators for client satisfaction:

- Client retention
- On-time reporting statistics
- Accuracy of reporting statistics
- Client event feedback survey results
- Number of client complaints
- Client feedback from direct interactions with clients across regions
- Independent branding surveys that benchmark our reputation on servicing quality

The Investor Relations team meets monthly to discuss and analyse client developments. Our Investor Services, Marketing Communications and Investor Relations teams receive training and participate in offsites to improve their skills and knowledge, providing an opportunity to share best practices and exchange ideas.

ALIGNMENT WITH CLIENTS' STEWARDSHIP AND INVESTMENT POLICIES

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

Tailoring to bespoke ESG needs

The development of a trusted partnership with our clients is a key element in implementing our philosophy. We consider it a privilege to manage assets on behalf of our clients and with this comes a duty to understand their priorities, their needs and to provide high-quality performance, servicing and reporting.

- Our clients increasingly require bespoke investment strategies to meet their own stewardship goals. Comgest has been pleased to help clients develop and implement their own exclusion and voting policies, such as faith-based exclusions and increasingly, belief and climate-based exclusions, e.g., fossil fuel exposure. To implement these strategies, we have invested in our internal processes to ensure that the portfolios are effectively monitored and delivered. We meet frequently with these clients to discuss outcomes and ensure that they are in line with expectations.
- We continue to evolve our responsible investment and active ownership policies based on feedback from client interactions which enable us to identify key trends on ESG related matters. For example, in 2023, following evolving industry practise and feedback from several clients, we enhanced our reporting on individual engagements to distinguish between those that are for the purpose of an information exchange and those that are objective-driven initiatives. We have likewise added sub-topics within our broader environmental, social or governance ("ESG") categories.
- Within our segregated client mandate accounts, some of our clients have stipulated that we implement certain bespoke engagement priorities, in which we act on their behalf. For example, in 2023, we implemented bespoke engagement priorities on board gender diversity and climate change for two of our segregated client mandates to align with their engagement priorities.

Working together to drive change

As part of our active ownership strategy, we are pleased to partner with our clients in order to drive positive change for example through combined engagement activity.

For instance, in 2023, one of our clients signed up to support the Corporate Mental Health Benchmark established by the CCLA, the UK's largest investment manager for charities and local authorities. As part of this initiative, the CCLA sent an email to our investee company Tencent (along with 100 other companies worldwide) requesting feedback on this benchmark. Tencent did not respond to the email, so our analysts contacted the Head of ESG at Tencent to provide more context and feedback on the benchmark. Tencent acknowledged that the physical and mental health of Tencent's employees is critical to the company's business and confirmed that the company was more than willing to provide feedback to the CCLA.

Following our engagement, we were pleased to see that Tencent's ESG team had successfully provided feedback to the CCLA.

Knowledge sharing

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

For instance, in 2023, we held a knowledge-sharing session with a client focused on Principal Adverse Impact (PAI) reporting and how PAI indicators were incorporated in our investment decision-making process. We also provided our insight to several clients on our Net Zero Asset Management (NZAM) Initiative target-setting journey, as well as our overall approach to integrating climate change in our investment process and engagement efforts.

COMMUNICATING STEWARDSHIP AND INVESTMENT ACTIVITIES AND OUTCOMES

Comgest considers the timeliness and quality of client reporting a core component of our asset management service. We follow a principle of maximum transparency, which we believe is essential to building trust and long-term client partnerships. We provide a full suite of standardised reporting and are able to tailor our reports to specific client needs.

The expectations of our clients and other stakeholders for high-quality, relevant and timely Responsible Investment reporting have increased over time and their requirements will continue to grow, a trend that we welcome. We pride ourselves on our ability to provide bespoke investment and reporting solutions for investors. We continue to invest in our reporting tools and team resources in order to add depth to the degree of customisation available to clients. We also regularly add to our library of investment publications.

REPORTING:

- **General reporting:** fund factsheets and bespoke portfolio reporting with detailed performance information including attribution analysis, quantitative statistics, portfolio manager commentary, and ESG data.
  - Comgest's standardised client reporting was enhanced in 2023 to provide further transparency on the ESG metrics of our portfolios. For example, in addition to the carbon and environmental footprints (shown in our factsheet since 2019), Comgest's quarterly factsheets for most of our "Article 8" public funds now feature a dedicated ESG page with data that includes: SBTi portfolio coverage, board gender diversity, voting and engagement statistics, and the fund's alignment with sustainability preferences.
- **Specific ESG reporting:** Our global client base has a wide and expanding range of reporting standards. In recent years, we have seen a significant increase in client demand for responsible investment and stewardship reporting, and in response we have increased the quantity and depth of our ESG reporting capabilities. The below documents are available on our ***website***, unless specified otherwise.
  - Quarterly Responsible Investment Reports (available to invested clients upon request), which detail:
    - Voting activity and statistics, including votes against management and votes against Comgest's Voting Policy.
    - Engagement activities: the nature and extent of investee company interactions, including how we selected issues for engagement and the type of engagement(s) undertaken. Where possible within the timeframe, we will also report on the effectiveness of this engagement.
    - Our involvement in industry and collaborative initiatives as part of our partnership strategy.
  - Our Annual Responsible Investment Report is is a comprehensive report which is compiled at Group level for select strategies. The report covers the four core elements of TCFD's recommended climate-related financial disclosure (governance, strategy, risk management and metrics and targets). It also provides detailed information on our responsible investment approach, engagement and voting statistics and key ESG metrics at firm and strategy level.
  - Comgest's pre-declared proxy voting intentions (where applicable)
  - Regulatory reports including the Annual PAI Statements and the SFDR Annual Periodic Disclosures
  - UN PRI Assessment Report
  - ***Proxy Voting Dashboard:*** Summarises Comgest's voting activity for each investee company. This dashboard is updated daily and voting results are visible with a 90-day lag.

– **Bespoke and ad hoc ESG-related responses to client questionnaires**

- Regular bespoke ESG reporting, particularly for our mandate clients, includes a wide range of ESG information including analysts' comments on controversies, ESG ratings according to client-defined scoring methodologies, etc. In 2023, 17 bespoke ESG reports were provided to a number of clients.

- Response to RFPs and DDQs: In 2023, Comgest's RFP team responded to 54 dedicated ESG questionnaires (vs. 25 in 2022), and 201 questionnaires requesting detailed ESG content (vs. 194 in 2022) with many including a specific focus on areas such as climate, diversity, engagement, voting, and SFDR.

- Ad hoc responses and reports prepared to address specific ESG information requests, e.g., regarding a specific stock, industry or topic.

– **Thought leadership**

- The Investment team provides product-specific updates in relation to market and portfolio events to provide clients with insights into the research and analysis undertaken in the ongoing management of their portfolios. For example, in 2023, our ESG team published a paper titled, ***"ESG in focus: how salmon became catch of the day"***, which examines the nuances associated with identifying sustainable business models, using salmon farming as an example of the complexities surrounding the implementation of ESG in investment decisions.

PRINCIPLE 7

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

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

OUR APPROACH TO ESG INTEGRATION

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

ESG factors are incorporated into the investment decision making process with the objective of improving the long-term financial outcomes of our clients' portfolios, consistent with their objectives. This approach ensures that the Investment team is aware of an investee company's sustainability risks and adverse impacts, including those that could have a material impact on returns. ESG analysis is entirely consistent with our quality growth investment philosophy and is fully integrated into our investment approach. ESG integration allows our Investment team analysts and portfolio managers to increase their understanding of the companies they research and identify areas where engagement could have most impact.

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

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

ESG INTEGRATION PROCESS

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

1. BROAD SCREEN OF MARKET

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

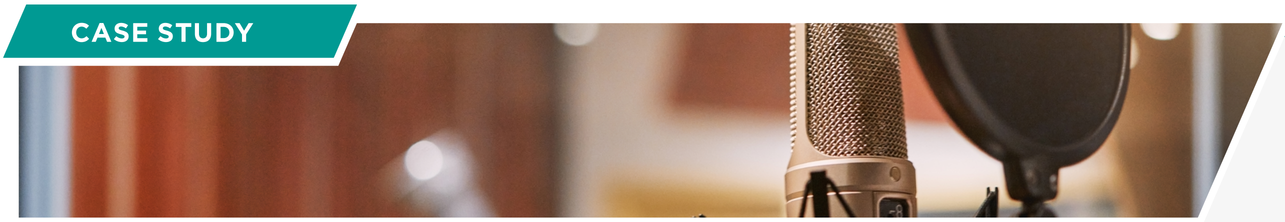
2. WATCHLIST

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

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

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

CASE STUDY



UNIVERSAL MUSIC GROUP

No investment made, with ESG a significant risk to the investment case.

ESG risk was a significant factor in the consideration of the investment case for Universal Music Group (UMG) and resulted in our Investment team deciding not to add the company to our Investment Universe (“Universe”).

The music industry is rife with abusive behaviour due to informal networking, freelancing and gender & age imbalance. Currently, all three major labels are facing investigations for harassment and discrimination. These industry-wide concerns, coupled with ongoing investigations, increased UMG’s reputational risks, and prompted us to question whether there were underlying cultural and workplace misconduct issues within the company. As a result, our company and ESG analysts had multiple discussions with industry experts and former employees, including individuals at senior management levels, to further assess the risks. However, following these discussions, we found ourselves unable to obtain a sufficiently high level of comfort with this company in light of our concerns. In fact, these discussions raised more questions than answers. We therefore decided not to add the company to our Universe for the time being, pending further updates that may change our view.

3. UNIVERSE

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

When moving from the watchlist to the Universe of eligible investments, a risk assessment is summarised into what the company and ESG analysts believe to be the most material sustainability issues including those that could have an impact on a company's performance and share price.

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

As our ESG integration process progresses, we analyse matters where there is less certainty about the risks or an unavailability of data. In these cases, our direct dialogue with and knowledge of the company, experience and judgement is required when coming to an overall opinion.

CASE STUDY

FORTNOX

(Sweden-based company that offers Internet-based business applications for companies, associations, as well as accounting and auditing firms)

No investment made, with ESG a significant risk to the investment case.

Governance was a notable area of concern in this example and did not build the necessary conviction for the Investment team to add the company to the portfolio.

There has been a constant turnover of directors and the chair in this company in recent years. The previous CEO had left abruptly, and the current CEO had a chequered history with his previous employer, having been pursued by his former employer, IST, for misreporting deteriorating results to the Board. The chair and major shareholder, Hallrup, was found guilty of insider trading yet was elected chair three years later. In addition, we found that the remuneration package was vague, but also complex (warrants, options, issued by different entities). In March 2023, our company and ESG analysts held a meeting with the current CEO to further assess these risks and firm up our view on the company. The meeting did not fully address our concerns, and as a result, we decided not to add the company to our portfolio, while continuing to monitor and evaluate the company for any improvements in governance.

4. VALUATION

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

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

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

Discount rate components:

Risk-free rate
(country/regional government bond yield)
+
Equity risk premium
+
Company risk factor: business model
+
ESG rating impact*

*For companies with an assigned ESG Quality Level

Definition of the ESG Quality Level

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

Comgest ESG Quality Level	Discount Rate Impact (DM = Developed Markets / EM = Emerging Markets)	Summary Description
1 ESG Leader	Lower -50bps for DM -100bps for EM	Meets Comgest's "quality growth" selection criteria to qualify for the investment universe and Comgest's governance criteria[10] – Significant ESG-related competitive advantage(s) and/or growth engine(s) – Sustainability embedded in corporate culture – High quality disclosures regarding material sustainability risks – Excellent mitigation of inherent ESG risks – Excellent response to any other material ESG issues if they arise
2 Good ESG Quality	Neutral No impact on the discount rate	Meets Comgest's "quality growth" selection criteria to qualify for the investment universe and Comgest's governance criteria – Acceptable level of disclosure regarding material sustainability risks – Good mitigation of inherent ESG risks – Adequate response to any other material ESG issues if they arise – May be exposed to significant ESG opportunities, but it does not meet the criteria to qualify as an ESG Leader
3 Basic ESG Quality	Higher +100bps for DM +150bps for EM	Meets Comgest's "quality growth" selection criteria to qualify for the investment universe and Comgest's governance criteria, but these companies exhibit one or more of the following elements: – Disclosure is suboptimal regarding material sustainability risks – A weakness is detected in the mitigation of inherent ESG risks or the company's response to other material ESG issues – Recurring non-material ESG controversies
4 ESG Improvement Expected	Higher +200bps for DM +300bps for EM	Meets Comgest's "quality growth" selection criteria to qualify for the investment universe and Comgest's governance criteria, but these companies exhibit a clear need for improvement in one or more of the following elements: – Disclosure regarding material sustainability risks – Mitigation of inherent ESG risks – Response to other material ESG issues – Exposure to significant and recurring ESG controversies

[10] Comgest's governance principles: long-term performance orientation, accountability and transparency, honesty and integrity, shared purpose and engagement

The ESG Quality Level breakdown of investee companies assessed in our principal strategies as of 31 December 2023 is shown in *Figure 6*.

Figure 6. ESG Quality Level in Principal Strategies[11]

ESG Quality Level	Global	Emerging Markets	Europe	Asia Pacific ex-Japan	Japan	US
1	19%	16%	36%	7%	9%	19%
2	71%	44%	59%	38%	51%	61%
3	10%	38%	5%	48%	37%	15%
4	-	2%	-	8%	2%	5%

Due to rounding, figures may not add up to 100%.

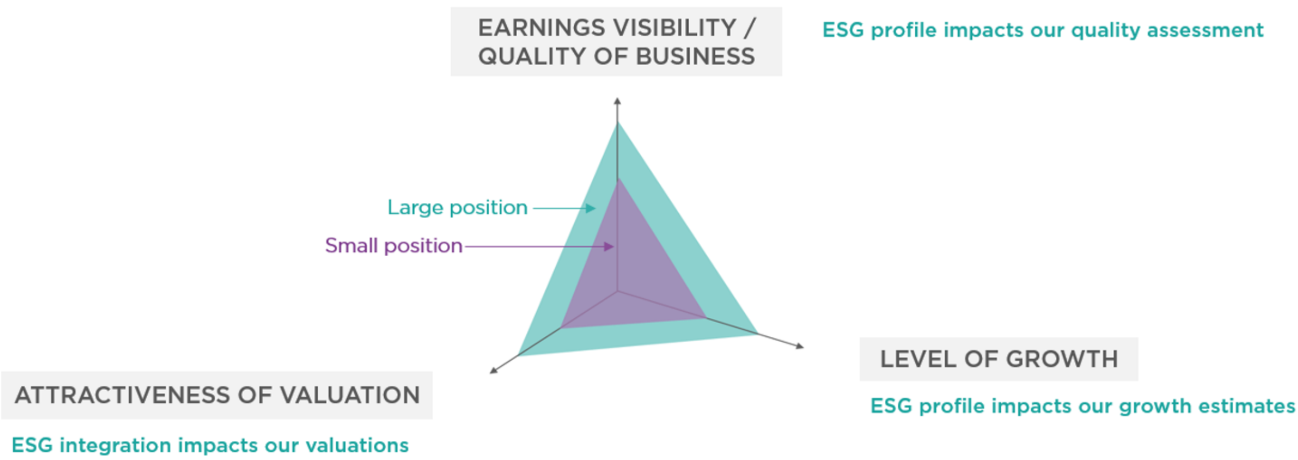
5. IMPACT OF OUR ESG ANALYSIS ON POSITION SIZING / PORTFOLIO CONSTRUCTION

Based on team discussions, we select companies from the Universe to create concentrated portfolios, assigning weightings based on the relative attractiveness of each company.

When adding a company to a portfolio, ESG integration contributes to all three components used in determining the weight of a holding:

- Earnings visibility / overall quality of the business
- Attractiveness of valuation at any point in time
- Level of growth

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



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

- **Earnings visibility / quality**

The portfolio managers carefully consider the visibility of a company's future earnings which depends on the overall 'quality' of the business according to our selection criteria.

In this assessment, many ESG-related items come into consideration such as governance structure, stakeholder relationships, transparency of management, controversies and other material sustainability risks and adverse impacts.

- **Attractiveness of valuation**

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

- **Level of growth**

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

Ongoing monitoring and approach to higher ESG risk profile companies

Investee companies across all strategies are then monitored on an ongoing basis from an ESG perspective. The purpose is to identify ESG events (controversies, change in corporate structure, change of board/management, etc.) which could affect a company's ESG/quality profile, valuation and/or reputation.

Where material events occur, the ESG assessment would be revised accordingly, and the investment case could be re-assessed. This monitoring is conducted systematically for all strategies using third-party tools that provide real time updates on changes in governance and new controversies. The ESG team provides an update to the relevant Investment teams on alerts they have received.

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

PRINCIPLE 8

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

OUTSOURCING AND VENDOR MANAGEMENT PROCESS

To effectively manage relationships with service providers, Comgest has outsourcing and vendor management policies and procedures in place which define the process for managing and monitoring relationships with service providers (including ESG data providers). This includes ensuring that the appropriate legal agreements and structures are in place to facilitate a comprehensive view and oversight of the service provider.

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

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

ESG DATA PROVIDERS

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

BoardEx MSCI Bloomberg S&P Global

MORNINGSTAR SUSTAINALYTICS RepRisk ISS

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

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

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

We seek to verify information from external providers and pay specific attention to any divergent or contradictory information concerning ESG issues or controversial activities. In such scenarios, we engage in direct dialogue with the company in question as well as various stakeholders to better understand the issues. Our own qualitative analysis often reveals the need to look beyond the data provided by our data providers. For instance, in November 2023, our ESG team identified discrepancies in one of our data providers' reported EU Taxonomy data. Our team pointed out instances in which companies flagged as "NFRD[12] eligible" had empty fields regarding reported EU Taxonomy data. The team also highlighted to the data provider instances where total EU Taxonomy reported turnover did not match the reported turnover data per environmental objective. After several discussions, and sharing the companies' disclosures to support our comments, the data provider was able to confirm in December that several changes were made to correct the data on its platform.

[12] NFRD refers to the EU's Non-Financial Reporting Directive

Additionally, an annual survey is conducted to collect feedback from the ESG team on the team's usage of data made available by data providers. This exercise allows Comgest to monitor data quality, identify challenges and, when necessary, assess services which no longer fit our needs and should be discontinued. The ESG team meets with and typically trials new providers each year to ensure they are up-to-date with the latest information sources available in the marketplace. We also discuss data provider quality in our interactions with clients and broader industry participants. We are not committed to using a single provider for any one area of our research and where any information gap is apparent with one provider, we will provide feedback and seek an alternative if necessary. This review also leads us to discontinue some data services should we assess they no longer fit our approach. This was the case in late 2023, when we terminated our subscription to data related to the United Nation's Sustainable Development Goals (SDGs) from one of our providers because it no longer met our expectations.

Where Comgest identifies a lack of available data or standardised methodology, it may join other investors to further develop methodologies and contribute to the enhancement of solutions which aim to facilitate data collection and reporting.

In 2023, Comgest joined the investor-led Avoided Emissions Initiative aiming to standardise the calculation of avoided emissions (see Principle 4, "Standards and initiatives related to climate"). The 10 partners supporting the initiative are working with specialised consultants to develop a global database of GHG emission avoidance factors for low-carbon or green enabling solutions. This database will initially cover 80 solutions with related avoided emissions factors and is expected to be available by the end of 2024. This standardised and transparent database will be made available to all stakeholders who need to calculate avoided emissions, including companies, consultants, financial institutions and data providers.

PRINCIPLE 9

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

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

DEFINING ENGAGEMENT

We define engagement according to two primary activities:

1. **Information exchange**: requesting and discussing sustainability information to inform our overall assessment of a company. Dialogue may also involve providing feedback to investee companies to share our opinions on industry best practices. These exchanges of information typically occur over the course of our ongoing, direct interaction(s) with investee companies.
2. **Objective-driven engagement**: purposeful dialogue to achieve change in order to improve outcomes for stakeholders. For these engagements, we monitor the evolution carefully by specifying objectives and reporting on the ongoing status and eventual outcomes, as described below.

METHODS OF ENGAGEMENT

Types of engagement

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

- **Individual engagement**

Most of our engagement activity is through direct, individual interaction(s) with companies. Typically, these engagements are carried out by an ESG analyst and the relevant company analyst/s within the Investment team.

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. In our experience, this can encourage companies to provide higher-quality, more informative responses.

We believe it is important to commend companies on achieving ESG milestones throughout our engagement process, in order to encourage ongoing dialogue and further advances.

- **Collaborative engagement**

In certain scenarios, teaming up with like-minded investors and other stakeholders can be a more effective means of achieving our objectives. Collaborative initiatives are typically led by our central team of ESG specialists.

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.

Forms of engagement

Our interaction with companies can take several forms, including:

- Written communication (emails, formal letters) with companies and other relevant stakeholders
- Meetings, both virtual and physical, with (including, but not limited to): stakeholders such as investor relations, senior management, board members, sustainability teams, human resources and experts
- Site visits, such as to company premises, operational locations, suppliers
- Use of collaboration platforms

Our commitment to engagement does not differ between portfolios as active ownership is key to delivering our singular investment strategy. However, our methods of engagement can differ between the regions and companies in which we invest. For example, when seeking improvements on data privacy by big tech companies such as Facebook, Amazon or Alphabet, we have conducted more collaborative engagements, as the voice of many investors carries more weight than an individual shareholder with these companies. However, most engagement activities that we conduct are direct, across all regions.

OUR APPROACH TO ENGAGEMENT

1. We take a partnership approach to engaging with companies

Comgest considers our relationships with investee companies, clients and employees similarly: as a partnership. As a stable shareholder, we aim to develop a deep understanding of our companies and to develop open, transparent dialogue with them. When engaging on areas for improvement, as a starting point we typically prefer to discuss the topic directly with the company in an open discussion, 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 more responsive to our demands.

2. We prioritise our engagement efforts

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

i. Materiality matters most

As part of our proprietary ESG analysis and formal 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 informed by our bottom-up research performed on each unique company. Stewardship activity is then prioritised by the materiality of our findings for each company. We also take into account the results of principal adverse impact (PAI) assessments.

- Issues that we prioritise for engagement will 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, for example:
  - For businesses whose operations are highly dependent on access to natural resources (e.g. food, beverage or textile sectors) or businesses whose products cause high emissions (e.g. automotive and aviation industries), our engagement activity is likely to focus on managing environmental risk and mitigating environmental impacts within their ecosystem.
  - For businesses whose operations may pose high health and safety hazards to workers or have significant socioeconomic impacts on local communities, such as the construction and chemical industries, our engagement activities will likely focus on managing social risk exposures and mitigating social impacts within their ecosystem.
  - For products that focus on, or have exposure to, certain regions such as emerging markets, issues such as corruption or taxation policies may be a more common risk.

- Probability of success is important to assess in the context of materiality. Where there is an ESG matter that is material to the business case, and we believe that an engagement could tangibly help to address the ESG risk or opportunity, stewardship activity with this company will be prioritised versus other portfolio companies.
- Comgest's ESG Quality Level 4 companies are companies that while investible within our quality-growth portfolios, "require improvement" within their ESG profile, according to our proprietary analysis. We therefore prioritise seeking improvement in these companies by way of direct and collaborative engagement, exercising voting rights and participating in industry initiatives.

ii. Our commitments

Comgest is a signatory to a number of industry initiatives and collaborative activities which will lead to prioritising our stewardship activity with certain companies. For example, as a signatory to the Net Zero Asset Managers initiative, we are prioritising engagement on climate with companies who represent the top contributors to our financed emissions as a Group.

iii. Thematic areas of risk exposure

Comgest closely monitors three thematic risk areas: climate, biodiversity (deforestation) and human rights. We have developed individual policies for these topics, as outlined in ***Comgest's Responsible Investment Policy***.

These topics are considered material in relation to primary ESG risks and principal adverse impact mitigation. Companies with material exposure to ESG risks within these categories may be identified for individual engagement or coordinated actions such as collaborative engagements and advocacy initiatives.

iv. Support for bespoke client priorities

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

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

3. We engage over long periods of time

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

As stable shareholders, we are able to engage with companies over multi-year horizons and work with them in partnership as they try to adapt to a complex and changing sustainability landscape. Our engagement dialogue is forward-looking and long-term. Our topics and priorities of engagement will evolve over time, in-line with the issues we identify as material to the long-term success of the company. We engage on important matters even when we know our opinion might not be well received.

As long-term investors, we are comfortable knowing that engagement can yield results gradually, sometimes over many years, before we would consider that our activity has reached a conclusion.

4. We engage ahead of annual general meetings (AGMs)

As part of our open dialogue with companies, we may engage ahead of general shareholder meetings to discuss, and sometimes influence, their proposed resolutions.

5. We engage with all companies, even if they are an ESG Leader

We believe all companies can improve. Each business will have its own specific, and often evolving, sustainability challenges to address. We aim to identify these issues throughout our research and to ensure that we understand each company's sustainability strategy. Any material areas for improvement are highlighted within our ESG assessments.

In the spirit of our ESG integration approach, Comgest is prepared to invest in companies with a lower ESG Quality Level where there is an identified opportunity for improvement, and we believe the company is willing to engage on those measures. In such cases, the heightened ESG risk of the company is reflected in the higher discount rate applied to the valuation, which impacts the Investment team's projected upside on the stock. The position size is thus likely to be smaller until such improvements become tangible.

Where companies identified for improvements have not demonstrated progress towards those measures, Comgest may further escalate its engagement with the company or eventually choose to divest.

While companies with lower ESG Quality Levels may lead to higher levels of engagement activity, we nevertheless identify topics to engage upon right across our range of companies including among our ESG leaders.

ENGAGEMENT OBJECTIVES, MONITORING AND ASSESSMENT OF OUTCOMES

Setting objectives

For each objective-driven engagement, we set clearly defined targets. This could be, for example: "improve disclosure by reporting via the CDP water questionnaire" or "improve governance structure by increasing board gender diversity to be at least 30% women".

Monitoring progress and outcomes

Through our interactions with a company, we monitor their achievement of milestones and improvements that clearly indicate progress towards our objectives. Engagements may remain ongoing for several years. If there is clearly no improvement or reactivity on the part of a company, we may decide to escalate as described in Principle 11.

There are four potential stages identified within our engagement monitoring:

1. **Ongoing**: engagement initiated, the company has acknowledged our concerns, and we are awaiting progress
2. **Escalation**: insufficient response to our concerns, we initiate other engagement actions to encourage change (see Principle 11)
3. **Success**: the company implements measures to address our concerns, engagement is completed.
4. **Failure**: Unsatisfactory action taken within target engagement time horizon (maximum five years). This may lead to divestment depending on the materiality of the topic.

Following the engagement

If an engagement is considered successful, the team members involved in the engagement may also share their experience and findings across the ESG and Investment teams to ensure that any future engagements may benefit from the team's collective experience, by applying relevant engagement techniques and learnings.

If an engagement is considered unsuccessful but the topic is considered material in nature, we may deploy escalation techniques as described in Principle 11. An unsuccessful escalation may result in divestment. If we decide to continue to own the company, knowledge gained from the engagement experience will be incorporated in our ESG Assessment of the company and may weigh on the resulting ESG Quality Level assigned. In addition to the qualitative learnings gained by the Investment team throughout the process which may impact the level of conviction that the team maintains on each company, the ESG Quality Level impacts the discount rate used in our valuation models and therefore directly feeds into the portfolio construction process.

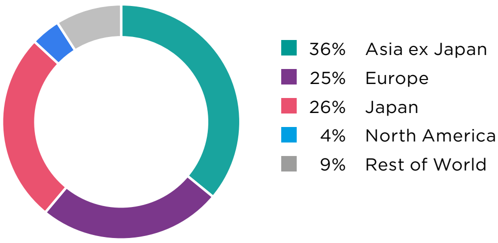
At all times, our engagement work will inform our ongoing ESG research and views held for each company. We seek to learn from our experiences with the objective of continually improving our engagement techniques.

OUTCOMES OF ENGAGEMENT

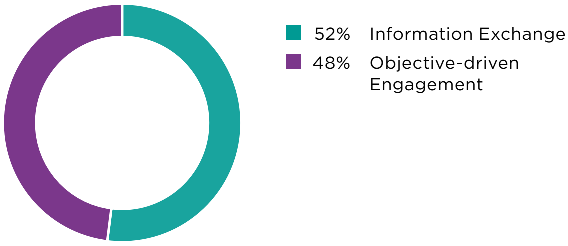
In 2023, we engaged with **96 companies** and carried out **137 engagement actions**. Statistics on these activities are provided in the charts below. The most common topic of engagement was climate change.

Figure 8. Engagement activities across Comgest's portfolios

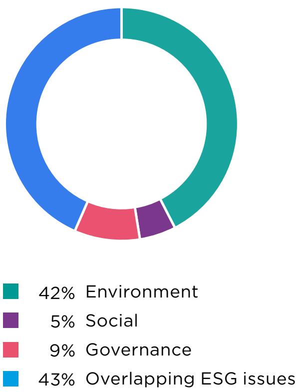
Region Breakdown



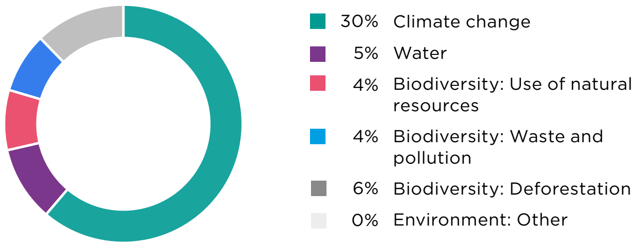
Engagement Type Breakdown



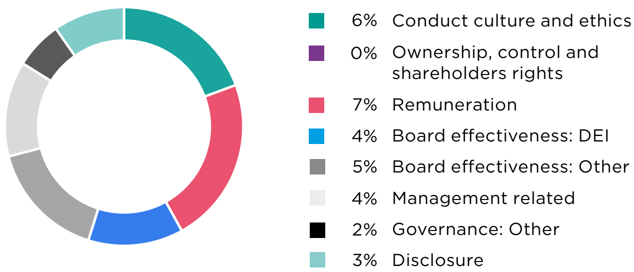
Topic Breakdown



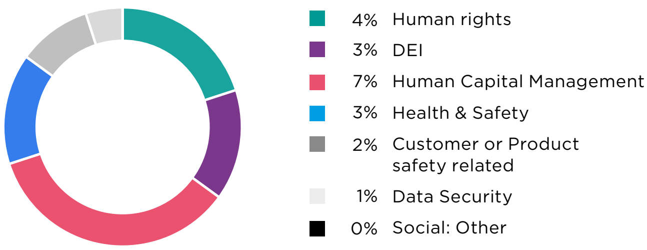
Sub-topic Breakdown: Environment



Sub-topic Breakdown: Social



Sub-topic Breakdown: Governance



CASE STUDY

EXAMPLE OF A SUCCESSFUL ENGAGEMENT: BB SEGURIDADE (BBSE)

(Leading insurance group in Brasil)

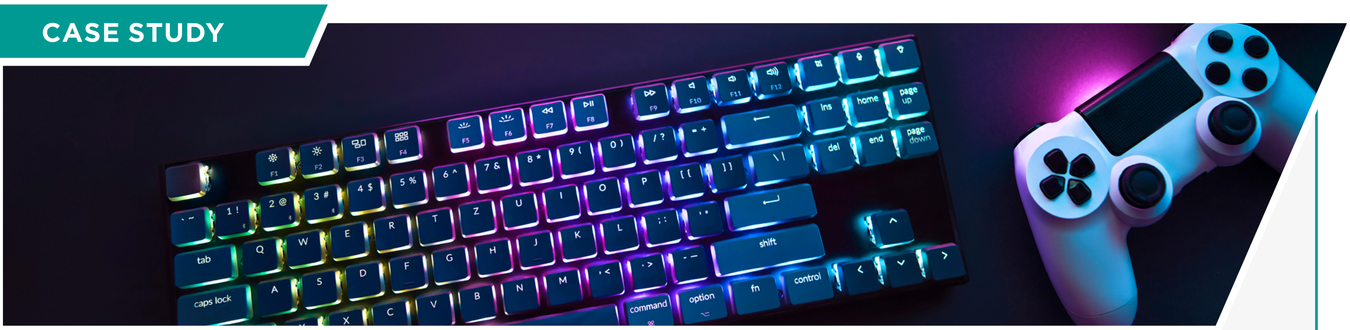
In March 2023, ahead of its AGM, our ESG analyst corresponded with BBSE's Chief Financial Officer (CFO) and Investor Relations (IR) representative to send an application for Mrs. Maria Carolina Ferreira Lacerda as a candidate for the Independent Board Member position at BBSE.

As Mrs. Isabel Ramos had been an independent board member at BBSE for over nine years, we wanted to propose a new candidate. After conducting some market research, we held discussions with Ms. Maria Carolina Ferreira Lacerda, a Brazilian professional with a good reputation in the market and whose impressive resume includes current independent board memberships at PagSeguro, Hypera Pharma and Rumo (companies we know well), among others. For the past 16 years, she has also held executive positions at financial institutions (i.e., UBS, Deutsche Bank, Unibanco and Merrill Lynch).

Ms. Ferreira Lacerda made a strong impression on us. Hence, after a series of calls which our ESG and company analysts had with her in February 2023, we sent Mrs. Maria Carolina Ferreira Lacerda's application as a candidate for the position of independent board member at BBSE to the CFO and to the IR.

The company welcomed our proposal and the resolution for Ms. Ferreira Lacerda's election was included in the agenda of their AGM held on April 28, 2023. Following the AGM, we were pleased to see that the resolution was passed.

CASE STUDY



EXAMPLE OF AN ENGAGEMENT WITH SIGNIFICANT PROGRESS: KEYWORDS STUDIOS

(Ireland-based global provider of technical services to the video game industry)

In April 2023, we engaged with Keywords' Chair of their Remuneration Committee to discuss their proposed pay package ahead of the AGM in May 2023. We advocated for changes in the Long-term Incentive Plan (LTIP) as we considered that adding additional metrics besides relative total shareholder returns (TSR) such as returns-based KPIs may better reflect management performance and balance M&A in their growth strategy plan. We encouraged the decrease of new share issuance to fund acquisitions and our feedback was taken on board. Additionally, we encouraged Keywords to accelerate the change of auditor. The company acknowledged our views, committing to implementing those changes over time. As a result of the engagement, we voted in favour of the proposed remuneration package while continuing to advocate for LTIP change, better disclosure and change of auditor.

The engagement continued in October 2023, during which time we discussed the new 2024 Remuneration Policy with the Chair of Keywords' Remuneration Committee. The proposed changes to the executive remuneration did not come as a surprise as we had discussed with them extensively in the previous engagement meeting. We took comfort in the fact that some of our ideas were included in the new policy, including the changes to the LTIP, which is now more balanced as it no longer relies solely on relative TSR, but now also includes organic revenue growth, adjusted cash conversion, a return on capital employed (ROCE) underpin as well as ESG targets such as carbon emissions and diversity. In addition, while we found the annual bonus somewhat small (maximum 30% of base salary), we did not view the increase in maximum opportunity level (to 125%) negatively, as long as targets are stretched and disclosed retrospectively.

While acknowledging that the changes were not perfect, we believed that they moved in the right direction. During the meeting, we continued to call for a more balanced LTIP, based not only on TSR, but also on effective capital allocation (return on capital) and revenue metrics that take into account organic and M&A-stimulated growth. We also supported an increase of the annual bonus of the CEO Bertrand Bodson, provided that the targets are ambitious and disclosed. Finally, while we supported the inclusion of non-financial metrics in the incentive plan, we deemed the carbon component immaterial given that Keywords is not a high-climate impact business. The Chair duly noted our views and appeared favourable to further refining the Pay Policy as a consequence. We will monitor the publication of the company's new Remuneration Policy in 2024.

Differentiating our engagement approach by region: Environmental disclosure remains a priority engagement objective in our Emerging Markets strategies.

As noted in our report from last year, a lack of environmental disclosure is often an obstacle we face, especially in Emerging Markets where companies tend to be generally less pressured by regulators to disclose climate risks, opportunities and impacts. Hence, requesting this data is often the starting point of our engagements and guides our selection of companies we engage with through collaborative campaigns. This is notably the case for the CDP Non-Disclosure Campaign (NDC) which Comgest has been supporting on an annual basis since 2018. During the 2023 Campaign, 45% of the companies we targeted were based in emerging markets.

We see our role as helping these companies understand the importance of enhancing transparency on their environmental practices, as well as assisting them in navigating the CDP reporting process or, when necessary, connecting them with local CDP teams. Our engagement is not solely carried out through the NDC; we may discuss the topic during individual discussions with companies before and after the campaign. One example in the 2023 CDP is our engagement with Vinamilk, the largest dairy company in Vietnam.

In May 2023, ahead of this year's campaign, our analysts contacted Vinamilk's Investor Relations Director, to find out why despite Vinamilk's comprehensive disclosures on environmental-related data in their annual Sustainability Reports, the company does not disclose via CDP's climate change questionnaire. The company explained that they have considered the CDP disclosures but first need to ensure that they have sufficient internal resources to provide all the data at an acceptable level of quality.

After we insisted on the benefits of CDP disclosures, they held an internal discussion and decided to send a questionnaire to their key stakeholders to investigate their preferences and gather feedback on Vinamilk's disclosure according to various ESG-related standards. Prior to sending the questionnaire, the company also asked us about our views on CDP, TCFD, and MSCI. A week later, Vinamilk sent us the questionnaire as promised, which we answered in detail.

In June 2023, as a lead investor, we sent a letter to the company to request the submission of a response to CDP's climate change and forests questionnaires. We then followed up with the company through several email exchanges on their plans to respond to the questionnaire. During our exchanges, we also offered the company some sample answers and guidance on certain questions that they found challenging to answer. Following the engagement, we were pleased to see that the company started its reporting journey by submitting their first Climate Change questionnaire in 2023.

In February 2024, following the release of the 2023 CDP scores, the company informed us that they received a "C" score on the climate change questionnaire and expressed appreciation for our support during the engagement. This first score represents a key step in the company's transparency journey and an encouraging assessment of the company's practices. With a C score, the company is positioned within Asia's regional average score and part of the only two Vietnamese companies which have received a CDP score.

PRINCIPLE 10

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

We identify engagement themes through common issues arising from our bottom-up engagement with companies as well as through the top-down priorities we have established as a responsible investor. Our areas of focus will also take into account the results of our principal adverse impacts assessment.

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

Comgest closely monitors three thematic risk areas: climate, biodiversity (deforestation) and human rights. These topics are considered material in relation to primary ESG risks and principal adverse impact mitigation. Companies with material exposure to ESG risks within these categories are prioritised for collaborative engagements and advocacy initiatives. Please see below the list of collaborative engagements for 2023.

Examples of collaborative engagements undertaken in 2023

SPONSOR/ TITLE	REGION	OBJECTIVE	OUTCOME
CDP Non-Disclosure Campaign	Global	As per the last five years, Comgest participated in the 2023 CDP Non-Disclosure Campaign, a collaborative engagement campaign that encourages companies to disclose more standardised environmental information to allow for better comparison. In 2023, as a lead investor, we engaged with 31 companies by sending letters to request the submission of CDP Climate Change, Water and/or Forest questionnaires.	Overall, five of these companies (16%) replied to at least one CDP questionnaire. Although the 2023 campaign is now over, we will continue to engage with these companies and to request increased transparency on their environmental practices, especially those who have not submitted a CDP questionnaire.
CDP Science-Based Targets Campaign	Global	Comgest has participated in the CDP Science-Based Targets Campaign since it started in 2021. This campaign aims to accelerate the adoption of science-based climate targets by companies. We sent follow up emails to eight companies in the 2022-2023 Campaign and to three companies in the 2023-2024 Campaign. Where material, we also use individual engagement meetings with companies to encourage them to set SBTs.	During the 2022-2023 Campaign, 1,060 companies were targeted. 99 new companies joined the SBTi as a result. In addition to the Campaign, we observed that 18 new companies held in our portfolios had their SBTi targets approved during 2023, bringing the total number of companies we invest in with approved targets to 95 companies as of December 2023. If we also consider the 43 companies which have committed to set SBTi targets, approximately 40% of the companies we held at the end of 2023 had joined the SBTi.

SPONSOR/ TITLE	REGION	OBJECTIVE	OUTCOME
Investor Initiative on Hazardous Chemicals (IIHC)	Global	The IIHC is a global network of institutional investors, coordinated by the NGO ChemSec, that aims to reduce the adverse impacts of hazardous chemicals and thereby its members' exposure to the financial risks to which they are linked. As member of the initiative, in 2023, Comgest continued to participate in collaborative engagements and co-led the engagements of two companies.	In 2023, as co-lead investor, we held engagement meetings with LG Chem and Shin-Etsu. Overall, we were satisfied with the progress made following our engagements with both companies and we will continue to monitor their progress and engage with them in 2024.
30% Club France Investor Group	France	30% Club France Investor Group is a French chapter of the business campaign aiming to boost the number of women in board seats and executive leadership of companies all over the world. Comgest joined this initiative in September 2022 and led an engagement with one company during 2023.	In 2023, we led an engagement with Capgemini and we will continue to participate in this collaborative engagement initiative in 2024.

PRINCIPLE 11

Signatories, where necessary, escalate stewardship activities to influence issuers

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

ESCALATION APPROACH

Our approach to escalation does not differ across funds or geographies apart from where local laws and practices require, such as with respect to filing shareholder resolutions.

Our goal when voting and engaging with companies is to maintain a transparent dialogue with companies in order to achieve improvement. We like to work in partnership with our investee companies on engagement issues. 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 also multiple representatives of the company.

As highlighted in Principle 7, during our proprietary ESG assessment process, when assigning ESG Quality Levels from 1-4 (1 being a leader, 4 being a company that requires improvement) to investee companies we seek to identify sustainability strengths and weaknesses. Our ESG Quality Level 4 companies often require more attention as their category indicates "improvement required". Our analysts will typically increase engagement efforts with these companies and closely monitor their progress against our ESG milestones.

METHODS OF ESCALATION

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

- Raising our concerns to the board, including independent board members. We also use our voting rights at AGMs and may convey our voting intentions to boards and executive committees ahead of AGMs in order to highlight our stance on a particular matter of disagreement. In certain scenarios, we may also decide to pre-declare our voting intentions publicly on our website.
- Collaborating with other investors on the engagement can be a more efficient form to achieve desired outcomes from escalation activities by creating a united front and amplifying the weight of our requests.
- Sending formal letters to the company or Board to make our stance more official (individually or collaboratively).
- In rare cases, we may consider informing regulators or the press of our stance or file a shareholders' resolution in cases where we believe the company kept ignoring the interests of minority shareholders.
- Divestment

2023 PRE-DECLARATION OF VOTING INTENTIONS

As an active manager, we consider voting as a key lever to influence and exercise our stewardship responsibilities. We view pre-declaring our voting intentions as an opportunity to strengthen ongoing engagements that we deem important.

In 2023, we pre-declared our voting intentions for 2 shareholder resolutions:

Amazon

US-based multinational technology company engaged in e-commerce, cloud computing, online advertising, digital streaming, and artificial intelligence

Shareholder Resolution: Provide comprehensive disclosure on GHG emissions.

US – Annual General Meeting

Comgest's vote intention: For Shareholder Resolution

Comgest Rationale: Comgest is a signatory to the Net Zero Asset Managers initiative and commits to supporting the global goal of net-zero GHG emissions by 2050 across all our listed equity assets. Engagement is a key lever that we use to deliver on our climate commitments and anchor our action in real-economy decarbonisation.

We recognise that measuring full value chain emissions is challenging. However, carrying out this assessment and providing comprehensive disclosures on GHG emissions is an indispensable foundation to develop both science-based decarbonisation goals and credible transition plans. We therefore support comprehensive disclosure of scope 3 emissions, notably via the CDP climate change questionnaire. We also expect transparency on what emissions are covered by net-zero claims, and in the specific case of Amazon, for the company to follow through with its commitment to set targets approved by the Science-Based Targets initiative (SBTi).

Linde

UK-based industrial gases and engineering company

Shareholder Resolution: Report on lobbying in line with Paris Agreement.

UK – Annual General Meeting

Comgest's vote intention: For Shareholder Resolution

Comgest Rationale: Comgest is a signatory to the Net Zero Asset Managers initiative and commits to supporting the global goal of net-zero GHG emissions by 2050 across all our listed equity assets. Success in achieving our climate targets relies on the world achieving a net-zero economy and numerous stakeholders, including governments and companies, following through on their commitments. Linde represents a substantial percentage of Comgest financed emissions. Hence, we are closely following the company's progress on climate alignment and are encouraging their management to take all necessary actions to foster transparency in the implementation of their climate strategy, including reporting on lobbying in line with the Paris Agreement. Our vote, and this pre-declaration statement, is part of our ongoing engagement activities with the company and we look forward to future dialogue opportunities with Linde on climate-related issues.

TIME HORIZON AND CONDITIONS THAT COULD LEAD US TO DIVEST

As long-term investors, we have always been comfortable knowing that engagement can yield results gradually, sometimes over many years, before we would consider that our activity has reached a conclusion.

Where we see no prospect of the company enacting 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 define a maximum horizon of five years for our efforts to incite change before exiting, in the best interest of shareholders.

CASE STUDY

ESCALATION FOLLOWED BY A DOWNGRADE OF THE ESG QUALITY LEVEL: DSV

In early October 2023, we initiated a dialogue with transport and logistics company DSV because of deteriorating workforce KPIs (turnover, sick leave, fatalities). During our meeting, their Investor Relations representative noted that strengthening the company's safety culture had become a top priority, especially in its newly acquired warehouse operations. We questioned why the company did not link health and safety metrics to pay when approximately 45%-50% of its workforce are exposed to high-risk warehouse operations. As a result of the engagement, we maintained the company's ESG Quality Level 3. However, we continued to assess its health and safety performance in the context of a potential downgrade.

In late October, we engaged with DSV's Chairman of the Board of Directors on the company's CEO succession and newly announced joint venture in the NEOM project in Saudi Arabia, of which we raised concerns about potential human rights abuses. The NEOM project has been under scrutiny for social issues. DSV emphasised that its Code of Conduct applies to all direct and indirect employees and suppliers, and that it will be the guiding principle when doing business with NEOM. DSV acknowledged our comment that transparency on human rights and other social metrics (Health & Safety, integrity, worker conditions) will be essential to assure investors that DSV conducts business in a sustainable manner. Following this engagement, we assessed that DSV's ESG risk exposure has increased, and we decided to downgrade the company's ESG Quality Level from 3 to 4.

In late November 2023, we had another meeting with DSV's Investor Relations representative to follow up regarding the NEOM project in Saudi Arabia. We were satisfied to hear that the elevated social/human rights risk is "top of mind" for management and the Board. We learned that DSV aims to hire workers directly. If unable to do so, it will conduct serious due diligence on the third-party recruitment agencies to ensure that workers' rights are respected. Finally, DSV confirmed the company will provide its workers with company-owned accommodations that adhere to strict UN standards. We believe this will help to mitigate any potential violations, provide better oversight, and thus mitigate any reputational risk of human rights controversies.

Following the meeting, we sent a letter to the Board of Directors to encourage best practice for human rights governance regarding their joint venture with the NEOM project in Saudi Arabia. We expressed our concerns about the elevated human rights risk, potential reputational damage, and lack of accountability at the management and Board level in terms of social risks and business ethics.

We received confirmation of receipt of the letter from Investor Relations who reported that DSV is working on a human rights due diligence report/presentation related to the joint venture and investors' input would be highly appreciated. We continue to monitor this issue and we will review the report/presentation as soon as it is available.

PRINCIPLE 12

Signatories actively exercise their rights and responsibilities

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

COMGEST'S VOTING PRINCIPLES

1. Reflective of our philosophy and fundamental investment beliefs

We exercise our right to vote at shareholder meetings in accordance with corporate governance values and voting principles that have been determined with reference to regulations, industry standards, best practice, and the firm's international experience. Our proprietary voting policy guidelines have been developed – and are expected to evolve – with our general engagement priorities in mind.

Comgest believes that a one-size-fits-all model of governance is not realistic, however we also believe that a number of fundamental principles nonetheless apply to all organisations that aim to be successful quality growth companies.

2. Systematically vote whenever possible

We believe that exercising our right to vote on behalf of our investors is an important element of our role as stewards and of our active ownership strategy. To vote is to have voice and it can be a driver of change. Comgest's objective is to vote systematically at all shareholder meetings when technically possible.

3. Promote specific governance characteristics

Comgest looks for and encourages our investee companies to apply the following 4 principles in their governance systems:

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

Our voting policy aims to encourage and reinforce the inherent values contained within these four principles. In making our investment decisions, we look for companies that are led by executive directors and guided by non-executive directors who embody, demonstrate, and perpetuate these values.

4. One share, one vote

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

5. Adapt our votes to company specificities, depending on stage of development, geography and sector

Voting decisions are very carefully considered for each General Meeting. We recognise that the companies in which we invest operate at varied stages of development, in sectors with differing dynamics and in geographies with specific business cultures and practices. It may therefore not always be appropriate to apply our Voting Rules rigidly and we may diverge from them in exceptional circumstances. If so, we look to ensure that our decision remains in line with Comgest's overriding Voting Principles and document the reason for our divergence.

6. Votes against company management recommendations

Comgest may vote against company management recommendations when it feels that this is in the company's and the shareholders' best interests. In such cases where the risk identified is considered material, Comgest will typically explain to the company concerned its reasons for doing so, ahead of the AGM. Additionally, in our ongoing dialogue, we will seek to guide management where necessary while encouraging 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, but not ultimately harmful. This may occur when Comgest was not given sufficient opportunity to address questions in relation to the matter with the company. Where this is the case, Comgest will typically follow up with the company to subsequently address the point.

VOTING AGAINST / OVERRIDING COMGEST'S VOTING POLICY

We may elect not to follow our own standard voting policy where we consider that it does not take into account the specific circumstances of a company, and therefore may not be appropriate. This occurred in **2.5%** of cases in 2023.

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

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

SECURITIES LENDING

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

For segregated accounts where clients engage in stock lending, we will monitor the votes where stock lending is in place and ensure that if the stock is recalled before the voting cut off that the available shares for voting have been updated on the proxy voting platform.

VOTING PROCESS

We apply our own voting policy and do not delegate or outsource votes. Comgest's voting rules (the "Voting Rules") derive directly from Comgest's Voting Principles detailed above. Specific Voting Rules have been defined on a regional or country basis in collaboration with the Institutional Shareholder Services (ISS) team dedicated to proxy voting policy customisation. Our Voting Rules are aligned with our approach to responsible investment. Comgest's ESG team is responsible for overseeing implementation of the Group's Voting Principles and reviews its Voting Rules every year on a region-by-region basis.

Voting recommendations reflecting the Voting Rules are produced by ISS for each general meeting. These recommendations in written form comprise the key documentation for the voting process.

To make the voting process as efficient as possible, Comgest uses the ISS web-based proxy voting platform which notifies Comgest of any general meetings of investee companies and enables Comgest to vote electronically in every country in which we invest, where technically possible. In addition, Comgest's centralised Proxy Voting team is responsible for identifying general meetings in advance and ensuring that votes are cast in a proper and timely manner.

- **Step 1:** Identification of the general meeting on the ISS proxy voting platform: cut-off date, record date, whether share blocking or stock registration is required.

- **Step 2:** Lead analyst is informed of the agenda for the general meeting and voting recommendations in accordance with Comgest Voting Rules. Comgest assigns responsibility for analysing resolutions to the lead company analyst for each stock concerned. We believe that this is the most efficient means of ensuring that we have all the information necessary before we vote on what are often complex and diverse themes.

- **Step 3:** Lead analyst gives their voting recommendation to the Proxy Voting and ESG teams.

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

- **Step 4:** The Proxy Voting team enters the voting decisions where required into the ISS proxy voting platform.

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

VOTING STATISTICS

In 2023, Comgest voted at **445 general meetings**, representing over **98%** of all general meetings held by investee companies, or over **99%** excluding meetings at which Comgest declined to vote to avoid conflicts of interest (please refer to Comgest's ***Active Ownership Policy*** for more information).

Comgest did not vote at **1** general meeting held by **1** company because voting was not considered to be in the best interest of investors.

Overall, Comgest voted on **5203** resolutions concerning **350** companies in **36** countries.

Comgest **voted against, or abstained from voting on, at least one resolution** at **278** general meetings.

Comgest exercised its voting rights on **5203** resolutions out of a total of **5220** votable resolutions, representing **99.67%**.

Comgest voted on **134 shareholder resolutions**.

General Meetings by Country

COUNTRY	VOTABLE MEETINGS	VOTED MEETINGS	%
Bermuda	2	2	100.00%
Brazil	28	28	100.00%
Cayman Islands	19	19	100.00%
Chile	1	1	100.00%
China	44	44	100.00%
Cyprus	1	1	100.00%
Denmark	7	6	85.71%
Faroe Islands	1	1	100.00%
Finland	1	1	100.00%
France	12	12	100.00%
Germany	13	13	100.00%
Hong Kong	2	2	100.00%
India	69	69	100.00%
Indonesia	1	1	100.00%
Ireland	14	9	64.29%
Israel	1	1	100.00%
Italy	2	2	100.00%
Japan	73	73	100.00%
Jersey (Channel IsL, UK)	3	3	100.00%

COUNTRY	VOTABLE MEETINGS	VOTED MEETINGS	%
Kazakhstan	4	4	100.00%
Luxembourg	3	3	100.00%
Mexico	9	9	100.00%
Netherlands	11	11	100.00%
Norway	2	2	100.00%
Philippines	1	1	100.00%
Portugal	1	1	100.00%
Russia	4	4	100.00%
South Africa	4	4	100.00%
South Korea	10	10	100.00%
Spain	2	2	100.00%
Sweden	3	3	100.00%
Switzerland	11	11	100.00%
Taiwan	4	4	100.00%
USA	47	47	100.00%
United Kingdom	15	15	100.00%
Vietnam	26	26	100.00%

Exercise of Voting Rights

BREAKDOWN OF VOTES	%
For	80.8%
Against	16.1%
Abstentions or Withholdings	2.4%
Other[13]	0.7%
In Line with Management	83.1%
Against Management	16.9%
In Line with Comgest Policy	97.5%
Against Comgest Policy	2.5%
For Shareholder Resolution	62.7%
Against Shareholder Resolution	37.3%

ESG Themes

BREAKDOWN OF THEMES	%
Environmental	0.10%
Social	1.17%
Governance	98.37%
ESG	0.36%

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

[13] Voting in response to say on frequency vote options

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

- **Annual Responsible Investment Report:** A description of our voting behaviour, including an explanation of our most significant votes; a description of how Comgest cast votes in the general meetings of companies in which it held shares on behalf of clients.
- **Quarterly Responsible Investment Reports:** A summary of the voting activity related to Comgest's portfolios. These reports are available upon request.
- **Quarterly Fund Factsheets:** In certain regions, our pooled fund factsheets display quarterly statistics on our engagement and voting activity.
- **On-demand Voting Reports:** For segregated mandates, Comgest can provide specific voting reports upon request.
- ***Voting Dashboard***: Summarises Comgest's voting activity for each investee company. This dashboard is updated daily and voting results are visible with a 90-day lag.

SIGNIFICANT VOTES

Comgest provides a rationale for voting decisions that we consider significant, such as votes against management, votes on shareholder resolutions, votes withheld, votes that are not in line with our voting policy, votes that represent a significant shareholding, influence, freefloat, or votes connected to an escalation strategy. Below is an illustrative selection of significant votes during the year 2023.

Examples of Votes Against Management/Abstention

LINDE: VOTE AGAINST MANAGEMENT (EGM, 18-JAN-23)

- **Amend Articles of Association** (**Outcome:** Pass – Dissent Level: 6.0%)
- **Approve Common Draft Terms of Merger** (**Outcome:** Pass – Dissent Level: 6.0%)
- **Approve Scheme of Arrangement** (**Outcome:** Pass – Dissent Level: 6.0%)
  - **Rationale:** We decided to vote against the resolutions proposed by Linde on the Frankfurt de-listing, as we see many benefits of a Frankfurt listing, including a euro currency listing and trading hours aligned with European time zone(s).

KEYWORDS STUDIOS: VOTE TO ABSTAIN (AGM, 26-MAY-23)

- **Re-Appoint BDO LLP as Auditors**
  - **Rationale:** We have expressed our reservations several times about keeping BDO as an auditor given its long tenure with Keywords and its controversial reputation. Keywords have sought to replace them but have decided to postpone the tender by another year given the difficulty they faced in finding an auditor willing to accept the job at a reasonable cost.
  - **Outcome:** Pass (Dissent level: 0.7%)

HERMÈS INTERNATIONAL: VOTE AGAINST MANAGEMENT (AGM, 20-APR-23)

Despite the fact that we generally like family-owned companies, we note that they have some shortcomings around governance matters that should be addressed. In such instances, we express our dissent by voting, as in the case of the Hermès 2023 Annual General Meeting, where Comgest voted against nearly half of the resolutions (14 out of 29). As an example, we voted against the below items relating to its remuneration policy, re-election of a board member and approval of a special report on related-party transactions:

- **Approve Remuneration Policy of General Managers (Outcome:** Pass – Dissent Level: 8.4%)
- **Approve Compensation of Axel Dumas, General Manager (Outcome:** Pass – Dissent Level: 7.9%)
- **Approve Compensation of Emile Hermes SAS, General Manager (Outcome:** Pass – Dissent Level: 7.9%)
  - **Rationale:** The discretionary power to set executive remuneration lies in the hands of the General Partner (Emile Hermès SAS), which is the same legal entity as one of the General Managers and is controlled by the family of the other General Manager (Axel Dumas), leading to an important conflict of interest. The structure of the statutory remuneration seems biased as the methodology used to fix the base salary is inherently inflationist (indexed upward only on previous year results) and the variable remuneration is nearly uncapped.

HERMÈS INTERNATIONAL: VOTE AGAINST MANAGEMENT (AGM, 20-APR-23)

- **Re-elect Renaud Mommeja as Supervisory Board Member**
  - **Rationale:** We voted against this resolution as the nominee is a non-independent member of the Audit Committee.
  - **Outcome:** Pass (Dissent level: 4.9%)
- **Approve Auditors' Special Report on Related-Party Transactions**
  - **Rationale:** The company did not provide sufficient information on the consulting agreement entered into with a public relations firm, Studio des Fleurs, and its transactions with the architectural firm, RDAI. It is therefore impossible to ascertain whether the continuation of this agreement is in the best interest of shareholders.
  - **Outcome:** Pass (Dissent level: 7.2%)

DASSAULT SYSTÈMES: VOTE AGAINST MANAGEMENT (AGM, 24-MAY-23)

- **Approve Remuneration Policy of Corporate Officers**
  - **Rationale:** We voted against the company's remuneration policy for the following reasons: 1) the unusual process of the company's capital association for the CEO (granting performance shares to the CEO each year as part of a gradual process to associate him with the company's capital) and the LTIP grant to the Vice-CEO that could lead to significant payments; 2) the termination payments could result in rewarding failure; and 3) the LTIPs will vest fully in case of retirement, without any proratisation.
  - **Outcome:** Pass (Dissent level: 17.8%)
- **Approve Compensation Report of Corporate Officers**
  - **Rationale:** We voted against the company's remuneration report considering issues remain in terms of disclosure on the CEO's remuneration report along with the recurring significant dissent at the last AGMs.
  - **Outcome:** Pass (Dissent level: 17.7%)

Votes Against Comgest's Voting Policy

LOCALIZA RENT A CAR: VOTE AGAINST COMGEST'S VOTING POLICY (AGM, 25-APR-23)

– **Approve Remuneration of Company's Management**

- **Rationale:** The remuneration policy is clear and well defined in our view. It relies on corporate KPIs (ROIC[14] is the ultimate KPI, as well as organisational morale and employee engagement) and individual KPIs related to the position held by each individual (e.g. volume, customer satisfaction, credit rating). We therefore voted in favour of the remuneration policy.
- **Outcome:** Pass (Dissent level: 9.3%)

INNER MONGOLIA YILI INDUSTRIAL GROUP: VOTE AGAINST COMGEST'S VOTING POLICY (EGM, 15-AUG-23)

– **Approve Stock Ownership Plan Management Rules**

- **Rationale:** This is a renewal of the 2014 programme, which has supported sustainable interest alignment between the long-term interest of the company's main talent pool (300-400 employees in total) and the sustainable growth of the business. The programme is essentially part of their remuneration policy, which replaces 100% cash bonus allocations with a combination of cash and stock reward (based on positive EBIT growth). A similar programme was issued in 2014 and, at that time, investors were worried about additional cost from the programme. Comgest has been an investor in Yili for the past 10 years, and we think the programme has not incurred additional cost as it was intended to replace a full cash base pay with cash + shares with no incremental cost. Since Yili also has stock options as a long-term incentive plan, this programme is used for regular compensation. Hence it doesn't have KPIs as strict as an option programme does. Furthermore, we understand that senior management can receive no more than 30% of the allocation per year, so most of the allocation goes to middle level talent. We therefore believe that implementing the programme is more beneficial than not implementing it and we decided to vote in favour of this programme.
- **Outcome:** Pass (Dissent level: 18.0%)

DEXERIALS: VOTE AGAINST COMGEST'S VOTING POLICY (AGM, 23-JUN-23)

– **Elect Director and Audit Committee Member Taniguchi, Masato**

- **Rationale:** Japan's "Board with an Audit Committee" board structure allows companies to have an insider as an Audit Committee member. Dexerials currently sees more value in having one full-time insider as an Audit Committee member versus all three Audit Committee members being part-time Independent Outside members because they believe that would ensure "effectiveness of audits". Dexerials can benefit from having such an insider who has much more knowledge about Dexerials' organisation and governance system, businesses, global networks, etc., which will help deepen discussions and make appropriate judgements without delaying the activities conducted by the Audit Committee. Furthermore, we confirmed with Dexerials that the current insider Audit Committee member, Mr. Kuwayama, who will be replaced by Mr. Taniguchi, has been able to provide insights to the Audit Committee. Some examples of his contribution are listed below: a) advising to reinforce security risk management for one of the company's sites, knowing that this would lead the company to sell the property to a third party and to remain as a tenant; b) handled highly sensitive workplace harassment issue thanks to knowledge and relationship with the relevant employees; and c) suggesting to conduct additional interviews to improve Audit Plans so that they can cover the points raised by the board.
- **Outcome:** Pass (Dissent level: N/A)

[14] Return on invested capital

Shareholder proposals

COSTCO WHOLESALE CORPORATION: VOTE FOR SHAREHOLDER PROPOSAL (AGM, 19-JAN-23)

– **Report on Risk Due to Restrictions on Reproductive Rights**

- **Rationale:** Access to abortion is being challenged at the state and federal level in the US. Abortions are now banned in at least 13 US states and severely restricted in 5 additional states. About 46% of Costco's workforce are women, and one-third of Costco's US employees live in those states and will face challenges to get access to abortion and other reproductive care. Employers like Costco will bear a cost, as women who cannot access abortion are three times more likely to leave the workforce. Given that several states ban abortion coverage in all state-regulated private insurance plans, and the federal protection to a right to abortion that was initially recognised in Roe v. Wade[15] has been overturned, the likelihood that the company's female workforce will be impacted has increased. The additional information on the potential risks to Costco caused by such policies and how the company plans to address such risks would be beneficial to shareholders, we therefore supported this resolution.
- **Outcome:** Fail (Dissent level: 13.3%)

AMAZON: VOTE AGAINST SHAREHOLDER PROPOSAL (AGM, 25-MAY-22)

– **Report on Climate Risk in Retirement Plan Options**

- **Rationale:** It seems unlikely to us that the company is facing a large risk of losing employees due to a lack of sustainable funds given the low pick-up of the one it offers. Plan participants have choices that are not limited to the default plan option, including ESG-themed investment options and thousands of investments (mutual funds, individual stocks and ETFs) through its self-directed brokerage option. We therefore voted against this resolution.
- **Outcome:** Fail (Dissent level: 14.7%)

[15] https://supreme.justia.com/cases/federal/us/410/113/

CLOSING REMARK

Stewardship has always been integral to Comgest, and we remain committed to engaging and reporting on our stewardship activities as part of our fiduciary responsibility to clients and in seeking better outcomes for society at large. Further reports, policies, affiliations and membership details can be found on the **ESG** section of ***comgest.com*** under "***Our Policies***" and "***Our Commitments***".

For detailed information on **Comgest's ESG Team**, please visit "***Our ESG Story***" on our website

For more information, visit:

comgest.com

AMSTERDAM
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MILAN
PARIS
SINGAPORE
SYDNEY
TOKYO
VIENNA

Comgest is an independent, international asset management group, which since its creation in 1985, has pursued a long-term "Quality Growth" and responsible investment style. Comgest serves investors around the world who share its long-term investment horizon.

PICTURE CREDITS