

UK STEWARDSHIP CODE 2022

ANNUAL REPORT

April 2023



“We believe that asset management has a responsibility to society not simply to act as a transmission belt for savings to power companies, but to create and foster trust between the financial, business and “everyday” worlds.”

Arnaud Cosserat
CEO

CONTENT

MESSAGE FROM OUR CEO	3	PRINCIPLE 7	35
PRINCIPLE 1	4	Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities	
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		PRINCIPLE 8	44
PRINCIPLE 2	8	Signatories monitor and hold to account managers and/or service providers	
Signatories’ governance, resources and incentives support stewardship		PRINCIPLE 9	46
PRINCIPLE 3	15	Signatories engage with issuers to maintain or enhance the value of assets	
Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first		PRINCIPLE 10	54
PRINCIPLE 4	18	Signatories, where necessary, participate in collaborative engagement to influence issuers	
Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system		PRINCIPLE 11	56
PRINCIPLE 5	29	Signatories, where necessary, escalate stewardship activities to influence issuers	
Signatories review their policies, assure their processes and assess the effectiveness of their activities		PRINCIPLE 12	60
PRINCIPLE 6	31	Signatories actively exercise their rights and responsibilities	
Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them		CLOSING REMARK	69

MESSAGE FROM OUR CEO

Comgest is pleased to submit its Annual Stewardship Report for the period 1 January to 31 December 2022.

This report sets out how we have applied the 12 Principles of the UK Stewardship Code throughout 2022 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 believe there is a need for greater communication and reporting transparency by all stakeholders across the industry and thoroughly support the Financial Reporting Council's work in Stewardship and Governance.

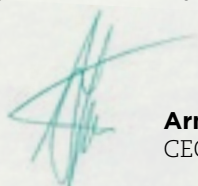
Being a responsible investor means looking for companies that can deliver sustainable long-term investment returns as well as facilitating positive impacts for civil society and the environment by supporting companies whose activities lead to positive outcomes. It means integrating ESG analysis into all our investment decisions. It means encouraging the companies that we invest in to enhance their ESG practices and disclosure, through our own engagement activities or as part of collaborative efforts. Above all, it means thinking and acting as a long-term owner and fiduciary. Comgest's employee partnership model enables and encourages staff to become a part-owner of the company, so that we all have a direct stake in the successful and responsible allocation of our clients' assets.

Over the last three decades, Comgest has regularly been faced with sharp market corrections and sector rotations. In 2022, the surprising increase in inflation, with rates peaking at levels unseen for 40 years, triggered one of the fastest monetary tightening cycles in recent history and brought the quantitative easing trend of the past decade to an abrupt halt. Although the market behaviour witnessed in 2022 was more extreme than usual, this has not changed the long-term trajectory of our business. Our skill to select the right 'quality' companies is essential to protecting our clients' capital beyond the short-term cycle.

The investment community today is facing an array of complex global topics and we believe our role in active investment, communication and collaboration is vital. With our singular focus on long-term quality growth equity investing and an organisational structure and culture that support a long-term ownership horizon, we are committed to delivering value to our clients as responsible stewards of their capital. We know that "value" for our clients derives not only from the financial returns we deliver or the service we provide but the consistency and transparency of our responsible investment approach.

Comgest wants to play a role in ensuring a net-zero pathway, protecting biodiversity and safeguarding human rights. Having recently established our climate-related targets in line with our commitment to the Net Zero Asset Managers initiative, we are now intensifying our focus on engagement activities to drive real change.

We acknowledge that there is a need for continual learning and development. We continue to face a changing regulatory landscape, increasingly bespoke client needs and real ESG challenges experienced by our investee companies. We have continued to invest in resourcing our specialist ESG Teams, 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.



Arnaud Cosserrat
CEO

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

Our investment philosophy is based on a clear set of investment beliefs that we have held consistently:

- Over the long term, fundamentals prevail, and stock prices reflect growth in earnings per share (EPS)
- Markets may fail to correctly value companies with sustainable competitive advantage and persistent above-average earnings growth
- By investing patiently and having a long-term time horizon – we will benefit from the compounding effect of EPS growth
- Environmental, social and governance (ESG) factors can impact a business over the long term

This philosophy is fully reflected in our portfolio decisions. We build concentrated portfolios of typically 25-50 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 3-5+ years.

Investing for the long-term means being aware of long-term risks and opportunities. The durability of a company's success depends on its entire ecosystem. 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, our proprietary ESG research therefore enables Comgest's Investment Team to perform a better assessment of what we define as 'quality'.

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

Comgest has always been 100% owned by employees and founders – as a broad partnership, our interests are aligned with those of our clients. 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.

The Comgest Group¹ is committed to its time-tested strategy of selecting quality growth companies that we believe will prosper sustainably. 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.

Our investment beliefs underpin our business model. We deliberately keep our client proposition simple, with a single quality-growth investment philosophy, a straightforward product range, and efficient business

Figure 1. Comgest's Quality Growth Selection Criteria



operations. We offer a targeted range of equity strategies across markets where we can implement our quality growth philosophy.

We are very conscious of the trust that has been placed in our firm when clients invest with us. Our business strategy is implicitly linked to how we invest for clients. As employee-owners, we share our clients' rewards as well as their risks. This underpins our approach to investing in a sustainable manner and the care we take in assessing a company's impact on all stakeholders. We set out the further benefits of our enduring employee partnership structure in Principle 2.

We believe that stability inspires investor confidence. Comgest has remained a highly consistent organisation and does not have any plans to

undertake any change in its employee ownership structure. We are comfortable with the current size of our business. We aim to achieve any future growth of our assets in a sustainable manner by developing stable, long-term and transparent relationships. 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.

In order to protect our ability to deliver long-term performance to our clients we set capacity limits on our assets under management. Each portfolio has, and will continue to have, limited capacity to ensure that we remain focused on a concentrated number of quality growth companies. We have not hesitated to implement soft closing techniques when necessary in order to manage capacity prudently.

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 and Brussels.

CULTURE

Our investment approach and business model are intimately linked to our culture. 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 and simplicity:** 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.

Comgest shareholders typically build their stakes in the company gradually over many years, with capital transferring to successive generations of employees over decades. We invest our own money in the same way that we invest on behalf of our clients: patiently, with a multi-decade horizon, an aversion to capital loss and a mindset of an asset owner. 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 – we strive to apply the same stewardship principle in our client portfolios. The partnership structure is described in further detail in Principle 2.

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 7 years.

Resources

We offer a dedicated and tailor-made approach to client service: our 23-strong, multilingual Investor

Relations (IR) team based in 9 different locations is responsible for developing durable client relationships that enable us to understand and anticipate client needs. The IR 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 (further detail is set out in Principle 6). Clients are also invited to one-on-one meetings and interactive seminars with the Investment Team, which give us opportunities for interaction and insight into our clients' thinking.

In 2022, Comgest added 2 additional team members (1 Investor Relations and 1 Investor Services) in order to continue improving our ability to service clients. We also continued to expand the ESG Responsible Development team with 2 additional hires over the year (1 ESG Specialist and 1 ESG Data & Reporting Specialist). The Responsible Development team sits within the ESG Team (as described in Principle 2) and works closely with the Investor Services and Investor Relations teams.

We are committed to ensuring that we maintain a depth of expertise and delivery of high quality communications to our clients on evolving ESG issues.

Monitoring effective servicing

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, asset allocation, product suitability).

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 in order 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 team's meeting notes are entered into our CRM system and these are 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 more broad formal survey to our clients however, 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 perception and branding. 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 2022 prospectus update for our Irish and French 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 obtaining of various external scores, categorisations and labels 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 2021, we received a 4-star rating in three categories: "Investment & Stewardship Policy (79%)", "Direct - Listed equity - Active fundamental – incorporation (89%)" and "Direct - Listed equity - Active fundamental – voting (79%)", above median in each of these assessment modules.²
- A selection of our strategies applies each year to receive leading European SRI labels: In 2022, Comgest's "Plus" funds again received the Towards Sustainability (Febelfin), FNG, and LuxFlag ESG labels, with 10 other public funds also receiving 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 2022, Comgest had GBP24.5 billion under direct management in public funds, of which GBP23.0 billion was categorised as Article 8 under SFDR (funds that promote environmental and/or social characteristics), representing 94.0% of all public funds.

² Please refer to the **Assessment Report** for further details on the ratings, which are based on the **PRI Assessment Methodology**.

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 PARTNERSHIP

Comgest's founders wanted employees to have a stake in the company's success. This evolved into the current employee ownership structure in which over 180 of our 213 colleagues are shareholders, investing their own assets to build a stake in the company. Currently, all Investment Team members with over 5 years of tenure are shareholders.

This partnership structure underpins 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, 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.

OUR GOVERNANCE

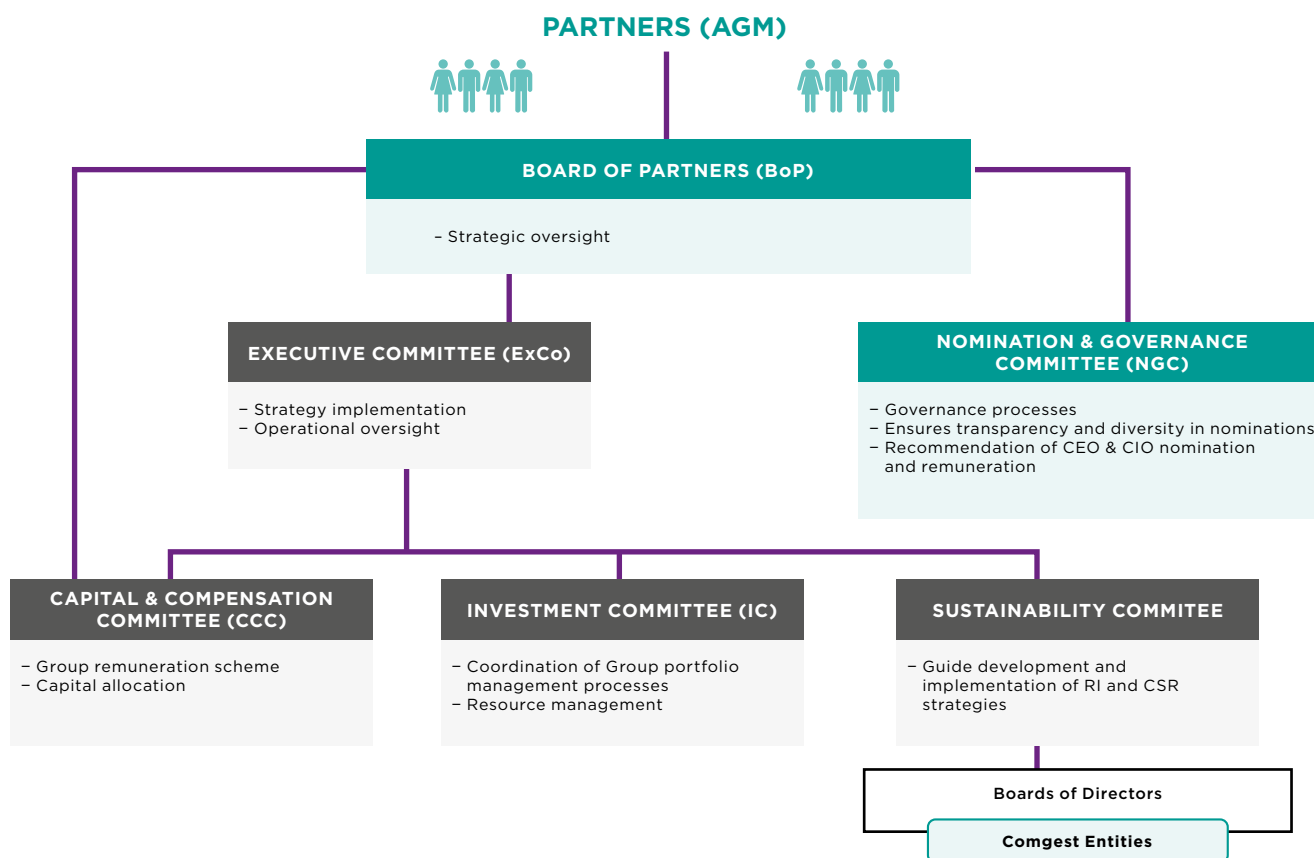
The governance structure of Comgest Global Investors, S.A.S, the Group holding company (shown in Figure 2), includes the following governance bodies:

The **Board of Partners** of Comgest Global Investors, S.A.S. serves as the strategic oversight body for the Group. To ensure broad participation in the development of the Group's long-term goals, the Board of Partners is comprised of members from both the investment and operational sides of the business, with varying tenure in the firm. Comgest believes it is important to also have independent members on the Board who can contribute both diversity and external expertise to deliberations as well as permitting the creation of committees composed of a majority of independent members where relevant (e.g., the **Nomination & Governance Committee**). The Board comprises 14 members, of which 50% are women and 3 are independent members.

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 **Investment Committee** is chaired by the CIO and is responsible for overseeing portfolio management processes across the Group entities, including ESG integration.

Figure 2. Group Governance Structure



The Executive Committee, which is chaired by the CEO, approves our Responsible Investment and Voting & Engagement Policies. Prior to approval by the Executive Committee, these policies are reviewed by the Sustainability Committee as well as members of the Investment Committee. The policies are reviewed annually and updated where changes are introduced.

While the Group-level governance helps to ensure a common strategy and approach, the **asset management entities of the Comgest Group** are responsible for adopting and implementing the policies in the day-to-day activities. Portfolio decisions and client relationship management are carried out by these entities and overseen by their local Board of Directors.

The Comgest Group Executive Committee established in June 2022 the **Sustainability Committee** (which replaced the **Responsible Investment Committee**) in line with our ambition to continually strengthen

our sustainability expertise and governance. The Sustainability Committee is chaired by the Group's Chief Executive Officer (CEO) and its members represent a wide variety of teams including the CIO, Portfolio Management, ESG, Compliance, Risk, Marketing, Investor Relations, and Operations.

The Committee was established by the Executive Committee to help define, implement and monitor the Group's Responsible Investment (RI) Strategy and Corporate Social Responsibility (CSR) Strategy.

The Committee liaises with the Group entities to ensure that the Group RI and CSR Strategies incorporate local regulatory requirements, that policies are approved and adopted and that local governance frameworks assist in the oversight of activities within the Group entities. The Committee carefully considers evolving client needs as part of its mandate.

RESOURCING AND TRAINING

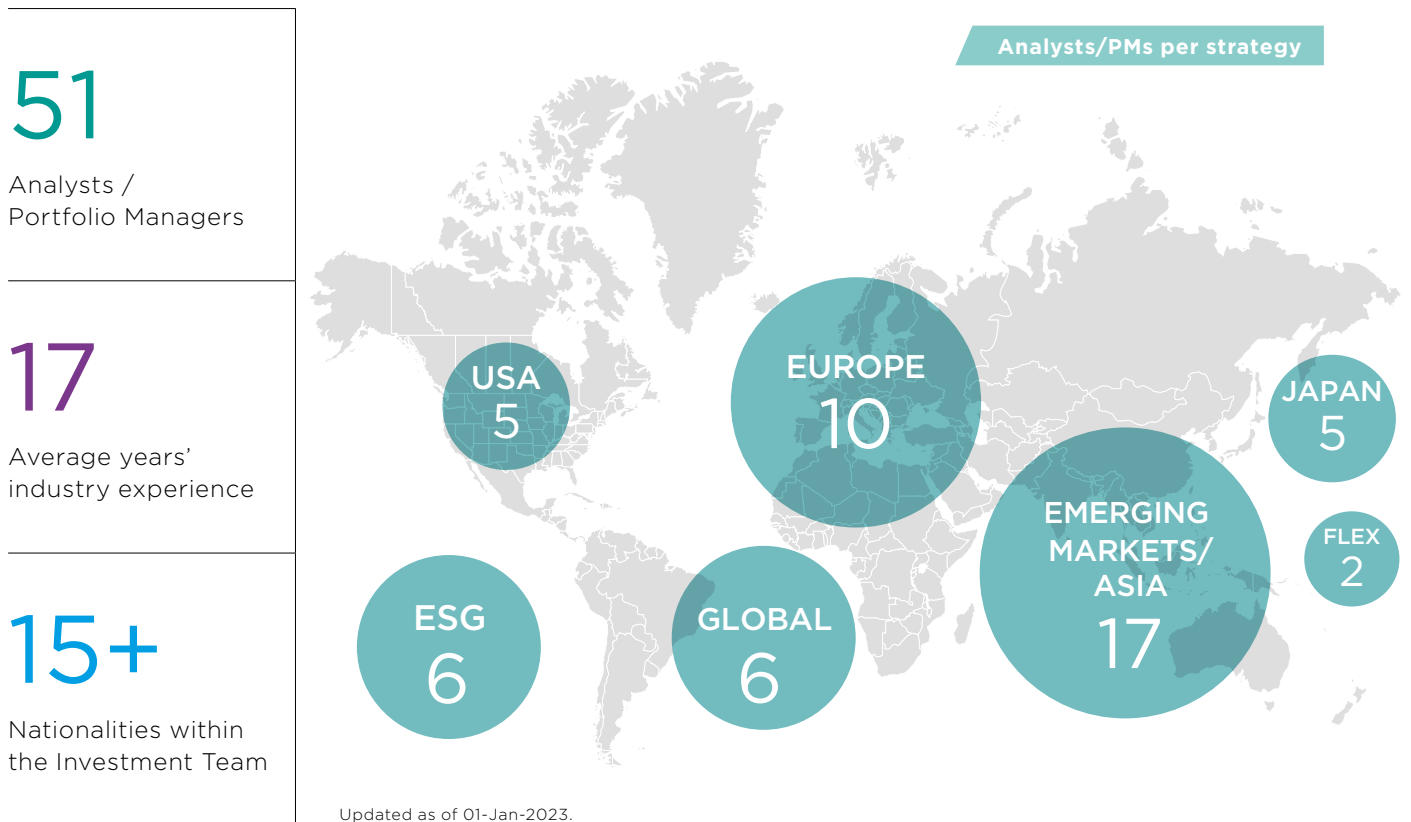
The Group’s RI Strategy is implemented by the Group’s Investment Team with the ESG analysts as coordinators and stewards of the ESG integration process, under the supervision of the Comgest Group’s Chief Investment Officer (“CIO”) and the Group Investment Committee. Our CIO, Franz Weis, has ultimate oversight for the Investment and ESG Teams.

Investment Team

Comgest’s Investment Team comprises 51 portfolio managers and analysts organised by geography, including six 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 17 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 carrying the responsibility for company voting and carrying out individual engagements, often together with a member of the ESG Team.

Figure 3. Comgest Investment 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

Comgest's ESG analysts and specialists support their investment colleagues in company research, engagement, voting and provide regular information and training across broader ESG themes, many of which are evolving quickly.

Since the hiring of our first ESG analyst a decade ago, Comgest's dedicated ESG resources have evolved considerably and comprised, as at end of 2022, 9 members who fulfil two distinct functions: Responsible Investment and Responsible Development. The Head of the ESG Team reports directly to the CIO.

Our ESG professionals have significant asset management and specialist ESG expertise, with an average of 14 years' industry experience (Head of ESG: 24 years). Their broad-ranging professional, cultural and educational backgrounds contribute to diversity of thinking and complementary skill sets. Biographies are available on our website: → ["Our ESG Story"](#). In addition to our proprietary research, the ESG Team draws on extra-financial information sources, such as companies' CSR reports, information and alerts from specialist providers, contacts with companies and their stakeholders, NGOs and media reports. *Figure 4* shows the external providers – selected for the quality of their information and their geographical coverage – that are currently used by the team.

Structure

- The Responsible Investment function is carried out by six 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.
- The Responsible Development function comprises three members. This specialist team leads thematic and collaborative engagement on topics such as climate change, biodiversity and human rights. The team also oversees ESG strategy, policies, internal training and communication of Comgest's RI strategy.

Training

Internal ESG knowledge-sharing initiatives include:

- Regular information sessions conducted by the ESG Team for employees that are tailored to their various functions (e.g., investor relations, compliance, legal, investment, etc.) on evolving ESG topics. The team likes to include ESG case studies to bring topics to life and ensure interactive discussion throughout training sessions.
- Presentation and regular discussion of ESG issues at weekly investment research meetings.
- Dedicated sessions run by the ESG Team with the Investment Team on key topics and specific stocks to serve as case studies.
- 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, mistakes and each other. Training focuses on both broader topics such as climate change and specific issues relevant to a particular company or industry.
- ESG systems and tools training sessions, notably to ensure that all Investment Team members can maximise the use of our proprietary 'ESG Dashboard' system.
- One-to-one meetings organised with Investment Team members throughout the year, for example when a new member joins or there is a specific topic to address.

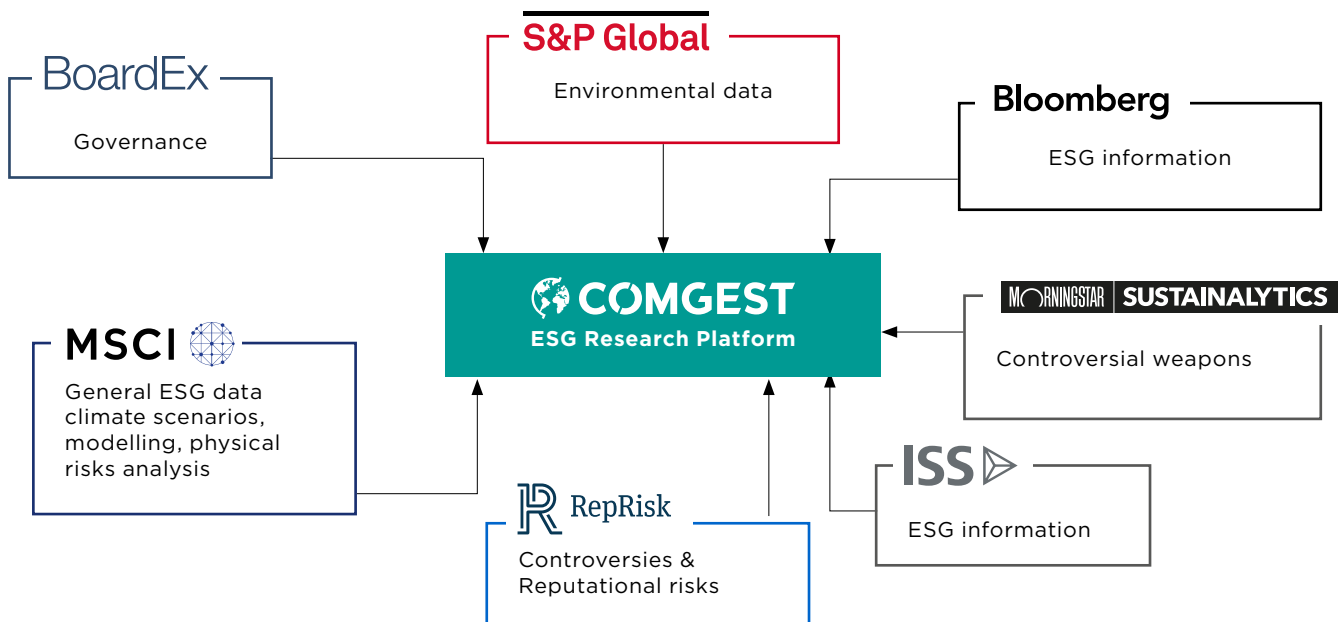
Company-wide ESG related training:

- 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 2022, 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, industry labels and product classifications, and the strategy for implementation of our Net Zero commitment. All teams are invited to attend ESG training sessions.

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). They also regularly take part in relevant training as required (e.g., the ICGN ESG Professional Training course³), industry events and working groups, as well as targeted seminars (e.g., those run by the PRI, industry groups and ESG data providers).

Figure 4. External Data and Information Providers



³ ICGN refers to the [International Corporate Governance Network](#).

DIVERSITY

As an equal-opportunity employer, we recognise the importance of all forms of diversity and we understand, accept and value differences between people including those of different ages, gender, nationalities, culture, ethnicities, 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.

COMGEST'S ESG TEAM



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: 56% of the team are women; the members of the team include four 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 Corporate Sustainability and Social Responsibility. 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.

Our human resources department deliberately seeks out diverse profiles and our compensation system ensures that all employees are treated fairly and equally. 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 women. 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) Working Group comprises six members from various Comgest entities – of which 50% are women, and includes representatives from a range of functions across the firm, including the Investment Team. The DEI Working Group is responsible for reviewing developments and initiatives across the industry, as well as the development and implementation of DEI initiatives at Comgest, which we seek to promote externally.

Comgest implemented several measures over 2022 seeking to improve the diversity of Investment Team members, including:

- A diversity target of 50% female interns was established with respect to our Investment Team.
- In May 2022, we held a roundtable discussion, entitled **Sharing our experience of breaking the bias**, to raise awareness of the lack of female representation in the finance sector, specifically in investment management teams.
- In November 2022, we were entered into the Women in Investment awards in the UK, with 3 of Comgest's female partners obtaining finalist positions, which was highlighted firm-wide.

Our goal in 2023 is to establish a formal policy at the Group level and to evolve our DEI responsibility and oversight structure.

INCENTIVES

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

Variable compensation is designed to incentivise long-term investment performance in keeping with our quality growth investment philosophy, using criteria that take into account the individual's performance against objectives, their behaviour as a member of the company and Comgest's financial performance.

For persons identified as material risk takers, cash bonuses may be subject to clawback in the event that the individual fails to take account of significant risks in the future, including ESG-related risks.

For the Investment Team members, 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, whilst short-term outcomes can

be random. The assessment includes stewardship criteria including ESG integration, identification of sustainability risks, quality of engagement and participation in training.

In addition, the calculation of the total package available for variable compensation across the company takes into account any significant risks to which Comgest's Risk Committee considers that the company may be exposed.

A majority of Comgest's capital is owned by the Investment Team. Over time, this investment may represent an individual's greatest financial commitment. As well as team stability, active ownership incentivises collaboration and frequent information sharing between Investment Team members, rather than a competitive environment, which we believe leads to sustained motivation levels and over time, better decision-making and a stronger integration of long-term investing principles.

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.

CASE STUDY

MANAGING POTENTIAL CONFLICTS OF INTEREST IN VOTING

During the review period, Comgest encountered 5 situations deemed to represent potential conflicts of interest with respect to the exercise of its voting rights.

- 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 4 general meetings relating to these funds.
- We were faced with a potential conflict on an investee company as we are a large shareholder and Comgest has also been its customer since December 2021. The voting decision concerned the approval of the remuneration proposal report.

Although we viewed their remuneration policy favourably overall, we voted in line with our voting policy which recommends voting against this particular proposal as some of the elements were not in line with our policy's criteria, notably the long-term incentive plan (LTIP) included a duration of 3 years instead of the 5 years suggested in our voting policy. Prior to the company's 2022 AGM, we held a discussion with the Chair of the Board on various issues, including remuneration. We stated clearly that we thought their overall remuneration was well-aligned, however we expected them to extend the LTIP term to 5 years.

This example demonstrates that our business relationship with the investee company in no way influenced our voting decision.

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, e.g., where a Comgest portfolio holds units in another Comgest fund.

Read the [Comgest Group Voting & Engagement 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 the Compliance department 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 engagement and through our support for industry-wide initiatives. Whilst many sources of systemic risk are largely

out of our direct control, such as the respect for the rule of law in various countries, human rights and government policy, we actively engage with companies and industry participants in an effort to collectively seek to reduce these risks over time and to encourage better-functioning financial markets.

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.

In 2022, we 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 investors have a responsibility to invest in activities that generate long-term, “real economy” benefits. We do not participate in capital markets activities that are only loosely connected with the real economy, and that could potentially have negative consequences for the financial system if allowed to grow unchecked. This includes most derivatives and structured products.

Similarly, 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* (page 5), these factors are specifically addressed in the research process. The collaborative nature of our investment 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 to primarily 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 Reports (available on our [website](#)) also include an assessment of the transition and physical risks related to climate change, that are relevant to our portfolio companies.

As active owners, we respond to identified risks through our own research and engagement and through our support for industry-wide initiatives. Whilst many sources of systemic risk are largely out of our direct control, such as the respect for the rule of law in various countries, human rights and government policy, we engage actively with

companies and industry participants in an effort to collectively seek to reduce these risks over time and to encourage better-functioning financial markets.

While 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, environmental and biodiversity preservation. We think a broader view is mandatory to properly assess sustainability risks that could lead to future global disruptions that have never been experienced. Thus, our research and risk monitoring process 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

Comgest is committed to carefully monitoring and managing climate risks and opportunities within its investment processes. This commitment is part of a wider climate strategy focused on strengthening Comgest's contribution to the global goal of net-zero greenhouse gas emissions by 2050, and underpinned by our support to the Net Zero Asset Managers Initiative.

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.

At the portfolio level, Comgest uses **MSCI's Climate Value-at-Risk** (VaR) methodology to measure and report on climate-related risks and opportunities for its main strategies. This includes both transition and physical risk assessments and provides a forward-looking and return-based valuation measure of climate-related risks and opportunities within a portfolio. It can be negative (cost) or positive (gain) and the horizon is the next 15 years. The Climate VaR is calculated according to various temperature targets: 1.5°C, 2°C and 3°C.

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 more or less 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.

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 in our strategy-level **Annual Responsible Investment Reports**.

“Comgest’s wider climate strategy is focused on strengthening our contribution to the global goal of net-zero greenhouse gas emissions by 2050.”

CASE STUDY



ENGAGING WITH TOP EMITTERS

Shin-Etsu is one of the largest emitters in our Japan strategy and represents 2% of our Group's total financed emissions. The company is also one of the main contributors to our Japan strategy's Policy Climate VaR which assesses exposure to climate-related regulatory risks.

After several interactions with Shin-Etsu throughout 2022 focusing on hazardous chemical waste and sustainability reporting, Comgest held an in-depth engagement discussion with the company on carbon emissions and decarbonisation targets. This meeting followed an initial engagement with the company in December 2021, during which we commenced discussions encouraging Shin-Etsu to set science-based targets for decarbonisation.

Our discussion with the company on their plans to curb emissions and progress on setting carbon neutrality targets allowed us to better assess how the company is considering and managing its climate transition risks. During the meeting, the company representatives highlighted the challenges that the teams have faced in establishing a realistic and actionable plan. We concluded the meeting confident that Shin-Etsu will adopt science-based targets in due course. We believe that they are taking the necessary time to properly implement science-based targets in order to mitigate business and regulatory risks the company has identified in its [TCFD](#) report.

Our engagement with Shin-Etsu will continue into 2023, notably through the [CDP Climate Transition Plan](#) campaign.

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, as well as our significant under-exposure to high climate-risk sectors such as mining, energy or airline industries, allows us to manage portfolios with significantly lower climate risks than comparative indices.

BIODIVERSITY

We acknowledge that biodiversity is a critical element of our ecosystem and must be preserved. 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 and over what timescale, and how these risks contribute to the total risk profile of the portfolio.

We take into account the impact of biodiversity loss in our investment decision-making. We also analyse the dependence of companies on biodiversity. This can be direct (i.e., physical impact that compromises production processes) or indirect (via the value chain). Comgest may invest in companies that have a 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 within 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.

Not all sectors and geographical areas are affected in the same way. We have therefore identified the following priority sectors: agriculture, food production, textile production, energy, manufacturing, mining, and tourism. The most important geographical areas are those whose biodiversity is the richest, such as forests and coastal waters, and those that are most dependent natural processes, such as habitats where water and organic resources are scarce.

Furthermore, biodiversity is a priority topic for collaborative engagement in all our portfolios. We specifically engage with investee companies who are most affected by the loss of biodiversity.

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 2022, we included additional data sources to assess biodiversity dependency and biodiversity impact. These additional metrics assist our company and ESG analysts in better assessing our investee companies' impact and/or dependence on biodiversity. We continue to evolve our data sources in this area, as described in the further developments section.

Our company and ESG analysts expect all companies to:

- Assess nature-related risks
- Disclose nature-related risks in line with recommendations of the [Taskforce on Nature-related Financial Disclosures](#) (TNFD)
- Set and publish targets for reducing and mitigating biodiversity risk exposure
- Report on progress

Companies that do not yet comply with these expectations are targets for our engagement programme.

“Biodiversity is a priority topic for collaborative engagement in all our portfolios. We specifically engage with investee companies most affected by the loss of biodiversity.”



CASE STUDY



CASE STUDY: BIODIVERSITY DISCLOSURE AT NESTLÉ

We have engaged with Nestlé, the world's largest food and beverage company, for years. Given the importance of the food sector on biodiversity, our engagement with Nestlé has focused largely on biodiversity-related topics. For instance, in 2020 we co-signed the CDP Non-Disclosure Campaign on Forest for Nestlé to encourage them to respond to CDP questionnaires, and eventually the company submitted the questionnaire.

Nestlé was one of the first large companies in the food sector to commit to ambitious climate and biodiversity targets. For instance, the company aims to cut emissions (their 2018 in-scope greenhouse gas emissions: 92m tonnes of total 113m tonnes*) by 20% in 2025 and by 50% in 2030. The company is also focusing on sourcing ingredients sustainably (ingredients are responsible for two-thirds of its greenhouse gases, of which over half is dairy/livestock), shifting their product portfolio towards more focus on plant-based foods, making all plastic reusable or recyclable by 2025, using renewable energy in manufacturing and its fleets, as well as planting trees. To fund these programs, the company has set aside CHF3.2 billion for 2021-25, with CHF1.2 billion going into regenerative agriculture.

While we laud the efforts and appreciate the size and complexity of Nestlé's operations, we have found the granularity around what they currently do to be

minimal. In April 2022, during a small group meeting with the Chair of Nestlé's Board, we asked the Chair to be more transparent about some of the company's current actions undertaken to address biodiversity loss and carbon emissions in their upstream supply chain. The Chair shared with us that the company was launching a number of different initiatives and trialling new ideas. However, we expressed that we would like them to be more forthcoming about what they can scale and commit to over the next 12-24 months, particularly regarding how the CHF1.2bn will be used for regenerative agriculture. In late 2022, we were pleased to learn that the company released a regenerative agriculture framework, defining its approach with more clarity and describing its implementation strategy. In addition, Nestlé will incorporate key ingredients sourced into its performance measures and has highlighted three key products to focus on in their 2023 reporting (fresh milk, green coffee, cereals and vegetables used in baby food products). Overall, we see Nestlé's steps as a positive start and we believe it will also contribute to industry alignment on common frameworks and metrics for regenerative agriculture.

*Total GHG emissions were 113 million tonnes (CO₂ equivalent) in 2018, 92 of which were in scope of their UN 1.5°C pledge.

CASE STUDY**ENGAGING WITH POLICYMAKERS**

To maximise the impact of our engagements on deforestation and wider ESG topics, we combine several approaches. In addition to engaging with issuers, engaging with policymakers allows us to participate in aligning the rules of the game towards a low-carbon, people- and nature-positive world. The [Investors Policy Dialogue on Deforestation](#) (IPDD) is a good example of the positive role investors can play in influencing regulators to advance sustainability in their jurisdictions.

IPDD is a PRI-supported initiative on the PRI Collaboration Platform representing USD10.0 trillion of global AUM and 67 institutions. Comgest joined the IPDD in June 2020 and has been working with over 30 investors as a committee member and the representative for France.

This multiple high-level engagement involves interaction with senior officials globally and in

Brazil and Indonesia, with an objective of making deforestation and land-use changes a more important part of climate narrative.

In 2022, a member of Comgest's Investment Team travelled to Brasilia on behalf of the IPDD and held individual meetings with Brazil's Environment Minister Marina Silva, the National Treasury and the Central Bank. The representatives shared what they saw as the main obstacles in the fight against deforestation and expressed recognition of their responsibilities in moving the process forward. In addition, they welcomed the IPDD's engagement on this front and in future engagements. We found the messages from the discussions were very positive overall. Comgest will continue to work with other members of the IPDD to address this issue.

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 features 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. For example, in 2022 several European companies took a stance on defending human rights in China's Xinjiang region. Whilst their action was broadly seen as commendable, they were subsequently subjected to enormous commercial pressure due to the initiation of Chinese boycotts against these companies and their products. We continue to monitor the risk of a Chinese invasion in Taiwan and to assess the potential consequences of such a decision across different supply chains and specific companies.

The 2022 invasion of Ukraine by Russia is another event that has had ripple effects across many supply chains and regions. Unfortunately, new conflicts could materialise with even more severe consequences, primarily on human lives, but also on the well-functioning of markets. The seizing of dollar assets, the ubiquitous rise in inflation and fragmentation of the global order into conflictual postures could destabilise the economic system as we know it. Additionally, the combination of addressing energy challenges in a world of rising geopolitical tensions poses risks to market liquidity, interest rates, fuel

volatility of currencies and financial assets through market dislocations.

Political changes in certain influential countries could also introduce market-wide and systemic risks if those changes were to jeopardise democratic institutions 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 or other political events.

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
<p>Association Française de Gestion (AFG)</p> <p><i>AFG is the French asset management industry association.</i></p>	<p>Comgest is a member of AFG's:</p> <ul style="list-style-type: none"> – Responsible Investment Plenary: contributes to the development of responsible investing within the French asset management industry. – Corporate Governance Committee: contributes to the development of the Corporate Governance Code for the French asset management industry. <p>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.</p>
<p>Institut Français des Administrateurs (IFA)</p>	<p>Comgest is a member of the IFA's Prospective & Research working group which aims to identify and analyse emerging governance topics. The first round of topics and workshops focused on how to build a Board "compass" and debated the legitimacy of shareholders as the ultimate stakeholder.</p>

INITIATIVE	DETAILS
FinDatEx	Comgest is a member of the FinDatEx's EET working group which aims at easing the exchange of ESG data between manufacturers and distributors and helping them meet the European regulatory requirements.

Supporting sustainability and responsible investment initiatives

INITIATIVE	DETAILS
Principles for Responsible Investment (PRI)	<p>Comgest has been a signatory since March 2010. In 2021, we received a 4-star rating in three categories: "Investment & Stewardship Policy (79%)", "Direct - Listed Equity - Active Fundamental – Incorporation (89%)" and "Direct - Listed Equity - Active Fundamental – Voting (79%)", above median in each of these assessment modules.</p> <p>Comgest's latest PRI Transparency Report and Assessment Report can be found here.</p> <p>As a signatory to the PRI, Comgest participated in 2022 in the Net Zero Listed Equity Practitioners Group. The group is a knowledge-sharing platform on Net Zero implementation for listed equity investors where participants can share information on methodologies, strategies and challenges.</p>
International Corporate Governance Network (ICGN)	Comgest is a member of the ICGN to raise standards of corporate governance worldwide.

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.
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+, an investor-led initiative to ensure that the world's largest corporate greenhouse gas emitters take necessary action on climate change, since 2017.
CDP	Comgest has supported the CDP since 2012, as well as participated in the CDP Non-Disclosure Campaign since 2018 and the CDP-SBTi Campaign since its launch in 2021.
Say on Climate Forum pour l'Investissement Responsable (FIR) <i>French Sustainable Investment Forum</i>	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.

Standards and initiatives related to other environmental factors

INITIATIVE	DETAILS
Deforestation Free Finance	Comgest joined this new initiative in 2021 and is one of the signatories to the Financial Sector Commitment Letter on Eliminating Commodity-driven Deforestation, which is endorsed by 33 financial institutions representing USD8.7 trillion in assets under management. 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, a collaborative investor network that raises awareness on ESG risks and opportunities brought by intensive livestock production, since 2020.
Investor letter to FAO	In November 2022, Comgest signed an investor letter to the UN Food and Agriculture Organisation (FAO), initiated by the FAIRR Initiative, calling on the FAO to deliver a clear roadmap for the Agriculture, Forestry and Other Land Use (AFOLU) sector to a sustainable global food system by 2050.

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, an independent non-profit organisation which analyses how the world's largest pharmaceutical companies are addressing access to medicine, since 2019.
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 is a member of the Investor Alliance for Human Rights, which is a collective action platform for responsible investment that is grounded in respect for people's fundamental rights.
30% Club France Investor Group	Comgest joined the 30% Club France Investor Group (the "Group") in September 2022. The Group is a newly established collaborative engagement initiative comprised of asset managers and asset owners which aim to engage with SBF 120* on the way they promote gender equality across their organisation, with a specific focus on the executive management level, e.g., executive committees (Comités exécutifs), management committees (Comités de direction), management board (Directoire). Their aim is to achieve at least 30% of women on boards. *“SBF 120” refers to companies listed in the French stock market index, “Société des Bourses Françaises 120”.

▶▶ FURTHER DEVELOPMENTS IN 2022

As mentioned above, Comgest is a signatory to the Net Zero Asset Managers initiative. Throughout 2022, we worked on defining our target-setting framework. We are now in the final stages of our internal validation process and will be submitting our targets to the Net Zero Asset Managers initiative during the first quarter of 2023. These targets will cover 100% of our listed-equity AUM and focus on a portfolio coverage target and an engagement threshold, to align with the Paris Aligned Investment Initiative and the Net Zero Investment Framework.

Comgest continues to work on identifying further tools to better assess biodiversity risk and commodity-driven deforestation risk.

“The industry-wide initiatives that we support help us to deepen our understanding of market-wide and systemic risks, add our weight to efforts to respond to them, and provide an external lens through which we can analyse our effectiveness in responding to such risks.”



PRINCIPLE 5

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

INTERNAL REVIEWS

The Executive Committee, which is chaired by the CEO, approves our Responsible Investment, Voting & Engagement and Exclusion Policies. Prior to approval by the Executive Committee, these policies are reviewed by the ESG and Compliance teams as well as our Sustainability and Investment Committees. The policies are reviewed annually and updated where 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 departments, the Risk department and the Risk Committee.

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

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

Daily pre-trade controls are designed to prevent the occurrence of breaches and are performed using our internal portfolio management system. Post-trade controls are also 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 risk, including both the occurrence and the potential financial loss. This includes operational risk linked to the implementation of responsible investment processes.

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 will be included within the relevant entities' internal audit programs. Certain processes are also reviewed annually as part of the ISAE 3402.

In 2022, 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. Our third-party external assurance provider also reviewed our investment and proxy voting processes as part of its annual ISAE3402 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 2022, several changes were implemented:

- With the introduction of the Level 2 implementation measures for the Sustainable Finance Disclosure Regulation (SFDR), Comgest introduced new steps in its ESG review process, which include a broader initial review and assessment of Principal Adverse Impacts to be carried out by the Investment Team.
- Comgest established a definition of sustainable investment in line with the SFDR definition and developed its own methodology for classifying some of its investee companies as sustainable investments.
- We evolved the Responsible Investment Committee into the Sustainability Committee with a broader remit, composition and oversight scope.
- We combined our Voting and Engagement Policies and further enhanced the Policy to meet regulatory and industry standards.
- We further updated our Responsible Investment Policy, including our exclusion policies.

PRINCIPLE 6

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

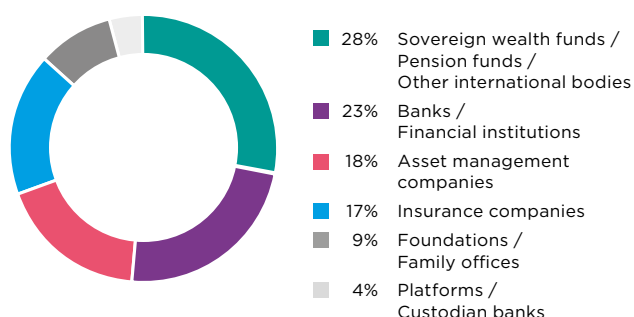
Comgest works in a spirit of partnership and transparency with its clients and the majority of our assets under management are managed on behalf of long-term oriented, institutional investors who, like us, are prepared to be disciplined and patient. The

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

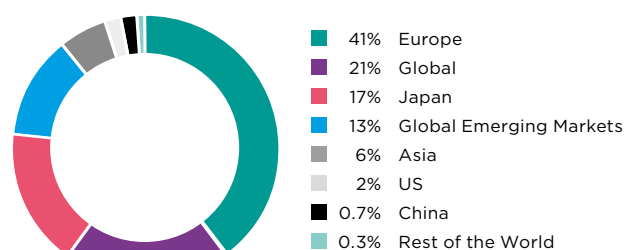
Figure 5 shows our asset breakdown by type of client and geography (please note that we only manage equity portfolios so there is no breakdown by asset class).

Figure 5. Comgest Asset Breakdown

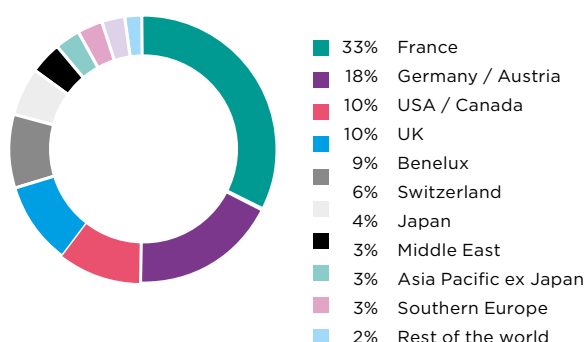
Clients by Type



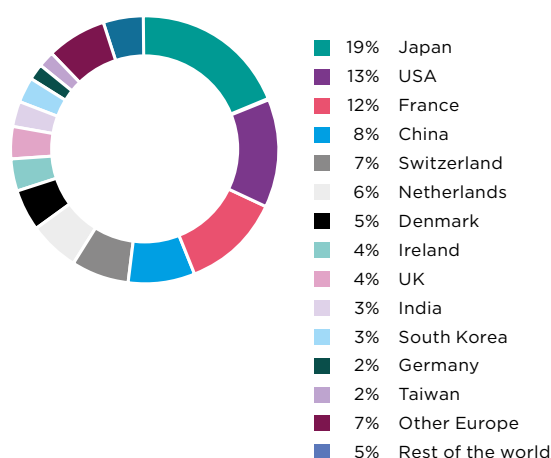
AuM by Strategy



Clients by Geography



AuM by Geography



Source: Comgest, data as of 31-Dec-2022; 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 (IR) and Investor Services (IS) teams, now comprising over 30 professionals based in proximity to our clients across our international offices. Unlike most other asset managers, we do not have a sales team and we do not set sales or AUM targets. Our investor relations professionals are first and foremost dedicated to relationship management.

Clients are serviced across the IR team according to geography and/or language skills. Client reporting and all other forms of communication are produced by the IS team from our London, Paris, Milan and Düsseldorf offices; they also respond to specific client information requests, working closely with the IR team to provide maximum transparency and deliver timely responses to client requests.

UNDERSTANDING AND RESPONDING TO CLIENT NEEDS

Our approach to client service is dedicated and tailor-made: we strive to exceed client expectations. The IR 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 these are expressed in the portfolios?
- How can we improve the service we provide to the client?

The IR and IS 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 IR 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 decision-makers concerning their portfolio. We also 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 (31% 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

Our IS and IR teams hold an annual offsite where they analyse their performance against these key indicators and feedback received from clients. The IR team also meets monthly to discuss and analyse client developments.

ALIGNMENT WITH CLIENTS' STEWARDSHIP AND INVESTMENT POLICIES

We always try to ensure assets are managed in alignment with clients' stewardship and investment policies:

- 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 exclusion, responsible investment, voting and engagement policies based on feedback from client interactions which enable us to identify key trends on ESG-related matters. For example, in 2022, following evolving industry practise and feedback from several clients, we decided to define a maximum time horizon with respect to our engagement activity prior to divestment.

In 2022, we also took a number of notable actions in response to clients' evolving needs on stewardship and in anticipation of future requirements:

- 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 amount and depth of our ESG reporting capabilities. In 2022, Comgest's RFP team responded to 361 questionnaires, of which about 77% were related to ESG themes, many including specific focus on areas such as climate, diversity, engagement, voting, and the Sustainable Finance Disclosure Regulation (SFDR). This represents a significant increase in ESG-related requests compared to 2021, when 40% of our team's questionnaires were related to ESG themes. In addition to our standardised responsible investment reports, we provide tailored ESG reports for a number of clients, in particular segregated accounts.
- To align with client and regulatory needs we developed in 2022 a targeted sustainability preferences questionnaire in order to better capture client needs. This new questionnaire helps us assess clients' expectations and preferences in relation to ESG and any specific investment needs linked to sustainable investment, taxonomy-aligned investments and principal adverse impact consideration.
- In 2022, we continued to conduct more thematic events (rather than product-specific events) with our investors in response to increasing demand for information on how Comgest is addressing sector- and industry-specific issues.
- We held discussions with clients on evolving topics. For instance, in 2022, we held a knowledge-sharing session with a client focused on climate and target setting. Knowing that Comgest had become a signatory to the NZAM initiative, this client had reached out to seek our feedback on various target-setting methodologies and was keen for us to share our experience on this topic. The session provided an opportunity to share knowledge on methodologies, relevant guidance and input on how key challenges were being tackled within the industry.

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 such as carbon and environmental footprints.
- **Specific ESG reporting:**
 - Quarterly Responsible Investment Reports, 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 engagements. Where possible, we will also report on the effectiveness of an engagement.
 - Our involvement in industry and collaborative initiatives to promote responsible investment.
 - Strategy-level **Annual Responsible Investment Reports** (available on our [website](#)), which provide information on our RI approach, engagement statistics and detailed environmental profiling of the portfolio, including carbon-related metrics, environmental footprint, transition and physical risks, temperature alignment, warming potential, and engagement statistics.
 - [Annual Voting and Engagement Report](#), which details stewardship and voting activities. The report provides a description of our voting behaviour, including an explanation of our most significant votes; the use of proxy advisors and a description of how Comgest cast votes in the general meetings of companies in which it held shares on behalf of clients.
 - Bespoke reporting, particularly for our mandate clients, includes a wide range of ESG information, such as analysts’ comments on controversies, ESG rating according to client-defined scoring methodologies, internal analysis of potential controversial issues, etc.
 - Ad hoc responses and reports prepared to address specific ESG information requests e.g., regarding a specific stock, industry or topic.
 - Transparency Codes (available on our [website](#))
 - PRI Assessment Report (available on our [website](#))
 - [Proxy Voting Dashboard](#)
- **Investment letters**
 - The Investment Team provides product-specific updates in relation to market and portfolio events.

Thematic letters, for example in 2022, our Investment Team published a paper entitled, ‘Road to recovery still paved with a “K”’ which describes three emerging challenges relating to environmental, supply chain and inflationary pressures.
- **Thought leadership**
 - White papers
 - Topical communications, webinars
 - Participation in industry events
 - Participation in client events where we are invited to speak on a particular topic to their stakeholders.

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 fairly treat all relevant stakeholders. This is important for our clients' financial outcomes and because they are also stakeholders in other ways, as consumers, employees, citizens and members of society.

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 members are aware of an investee company's sustainability risks, 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,

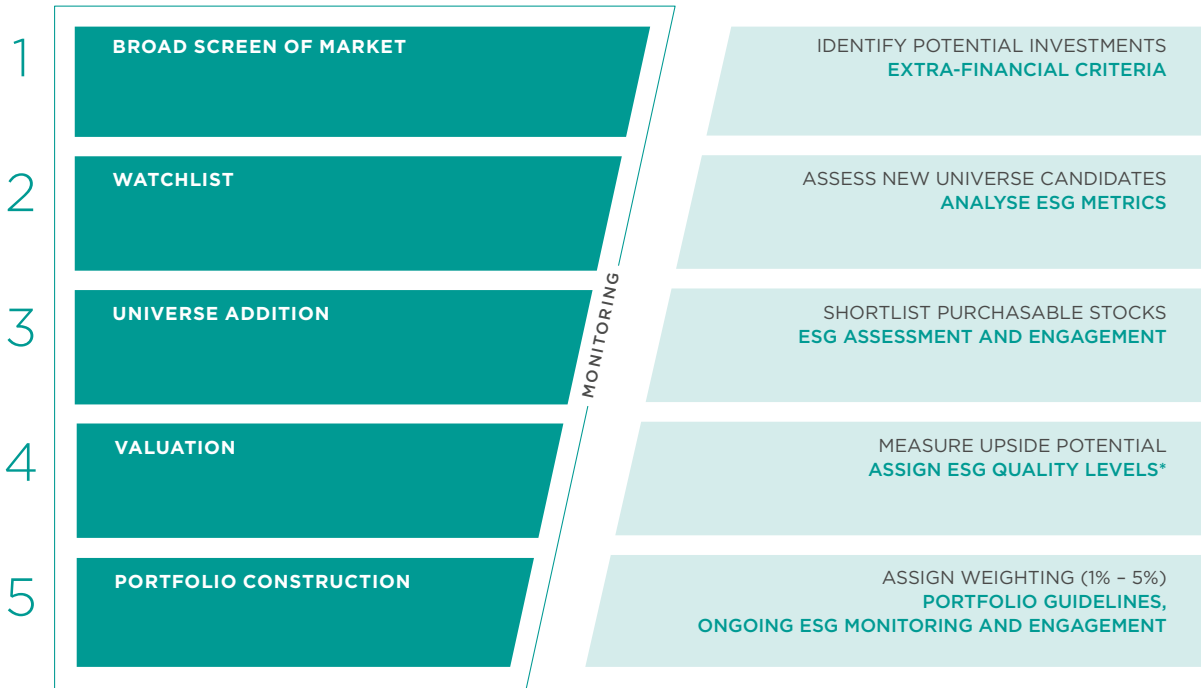
companies with supply chains in Emerging Markets may be more vulnerable to the issue of child or forced labour. A company's local laws and practices as well as regulatory standards around ESG issues are also important factors in our ESG analysis. Similarly, climate change is expected to have varying 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 practice is further described in Principle 9.

“ESG factors incorporated into our investment decision-making process ensure that our Investment Team members are aware of an investee company's sustainability risks, including those that could have a material impact on returns.”

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 are taken into account in a systematic manner. Our process is described in detail in [Comgest’s Responsible Investment Policy](#).



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

Our investment process includes ESG criteria within our initial screening of the market for quality companies as described in Principle 1. As the Investment Team increases research on a particular company and includes the name in ‘watchlists’, the Investment Team combines their proprietary research with a broad range of relevant ESG metrics, including climate data, from third-party providers.

Company analysts work together with our team of dedicated ESG analysts to identify ESG risks and opportunities. All companies included within our official quality growth investment ‘universe’ undergo a formal ESG risk assessment prior to being included in portfolios. This includes a climate-related risk assessment.

As a result of our proprietary ESG assessment process, an overall ESG Quality Level is assigned to each company, ranging from 1 (leader) to 4 (improvement expected) using an internal rating system (Figure 7). The Quality Level reflects the consensus opinion of the company analyst and the ESG Team.

The ESG Team supports the work of the Investment Team with ongoing monitoring of thematic ESG alerts, climate data and notification of controversies, ensuring that our responsible investment approach is applied systematically and consistently across all our portfolios. Comgest became a signatory to the NZAM initiative in 2022, and from 2023 will be incorporating climate-related targets into our process.

Figure 6. Comgest ESG Quality Levels

Quality Levels result in a company-specific ESG discount rate (Figure 7) being assigned, which forms part of the overall discount rate applied in our valuation models.

ESG Leaders	ESG Quality Level	Description
	Discount Rate Impact: DM/EM	(one or more of the sample elements below)
	1 ESG Leader -50 bps / -100 bps	Sustainability/CSR fully embedded in corporate culture, strategy to benefit from ESG opportunities, excellent disclosure, mitigation of existing ESG risks
	2 Good Quality 0 (no change) / 0 (no change)	Good awareness and mitigation of low ESG risks, adequate disclosure, few controversies, able to benefit from ESG opportunities
	3 Basic Quality +100 bps / +150 bps	Basic awareness of ESG risks, limited mitigation measures in place, moderate ESG risk exposure, low disclosure, ESG controversies, room for improvement
	4 Improvement Expected +200 bps / +300 bps	High ESG risk exposure, no consideration of ESG risks, very low or absence of disclosure, no mitigation measures, significant ESG controversies, priority for engagement
ESG Laggards	INSUFFICIENT QUALITY GROWTH CRITERIA	

Our singular investment style and strict adherence to our quality growth investment philosophy mean that our investment universe is relatively narrow: we do not include stocks that we consider to be ESG laggards and therefore do not conduct ESG analysis on such stocks.

Figure 7. Company-Specific ESG Discount Rate

As ranges of initial discount rates are different according to whether it is a developed market or an emerging market investment universe, ranges of ESG discount rates also differ accordingly, as follows:

DEVELOPED MARKETS

ESG Quality Level	ESG Discount Rate
1 ESG Leader	-50 bps
2 Good Quality	0 (no change)
3 Basic Quality	+100 bps
4 Improvement Expected	+200 bps

EMERGING MARKETS

ESG Quality Level	ESG Discount Rate
1 ESG Leader	-100 bps
2 Good Quality	0 (no change)
3 Basic Quality	+150 bps
4 Improvement Expected	+300 bps

The ESG Quality Level breakdown of investee companies assessed in our principal strategies as of 31 December 2022 is shown in Figure 8.

Figure 8. ESG Quality Level in Principal Strategies⁴

ESG QUALITY LEVEL	GLOBAL	EMERGING MARKETS	EUROPE	ASIA PACIFIC EX-JAPAN	JAPAN
1 ESG Leader	11%	9%	31%	6%	13%
2 Good Quality	71%	38%	65%	29%	40%
3 Basic Quality	18%	51%	4%	56%	44%
4 Improvement Expected	-	1%	-	10%	3%

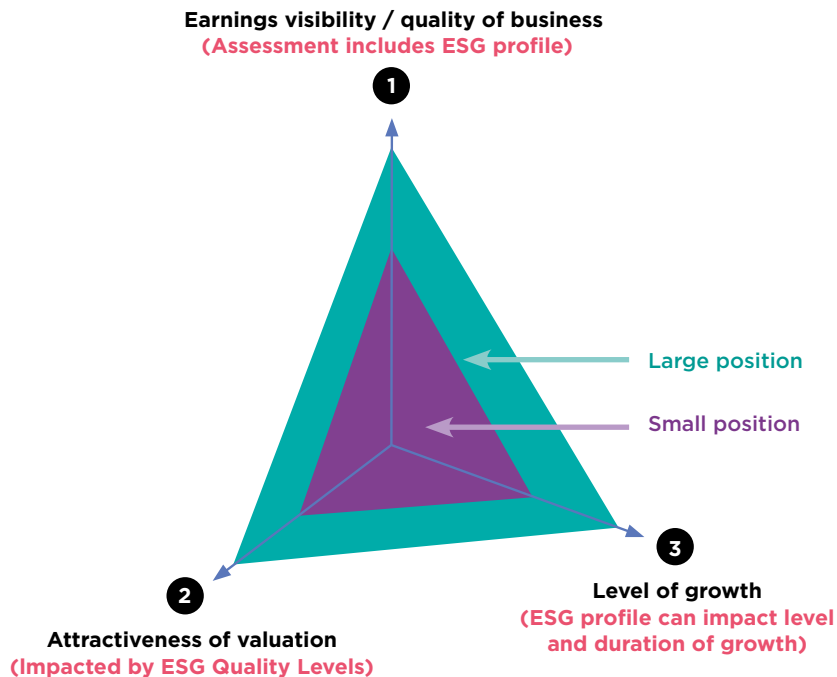
IMPACT OF OUR ESG ANALYSIS ON POSITION SIZING / PORTFOLIO CONSTRUCTION

Based on team discussions, the Investment Team selects companies from the investment universe to create a concentrated portfolio of 25-50 stocks. Stock weights are based on the team’s assessment of the risk/reward offered by each company’s profile with respect to three key elements:

- Visibility of earnings / overall quality of the business
- Growth potential; and
- Attractiveness of valuation at any point in time

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

Portfolio construction position sizing: where does ESG play a role?



⁴ 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.

1 Earnings visibility / quality of business

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.

2 Attractiveness of valuation

As described above, our proprietary ESG Quality Level assessments ensure that the ESG integration process results in a tangible impact on our construction process by directly impacting the discount rates we use in our valuation models. Whilst ESG factors are commonly a source of risk, high ESG quality can indicate better strategic insight and operational effectiveness, leading to lower risk and higher growth potential. The impact can thus be positive or negative (reflecting both risk and opportunity). This will in turn change the perceived upside on any given security, which is one of several important elements taken into consideration by the Investment Team during the portfolio construction process.

Comgest's ESG discount rate impacts have been set based on our experience and back-testing results, and are subject to change.

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.

3 Level of growth

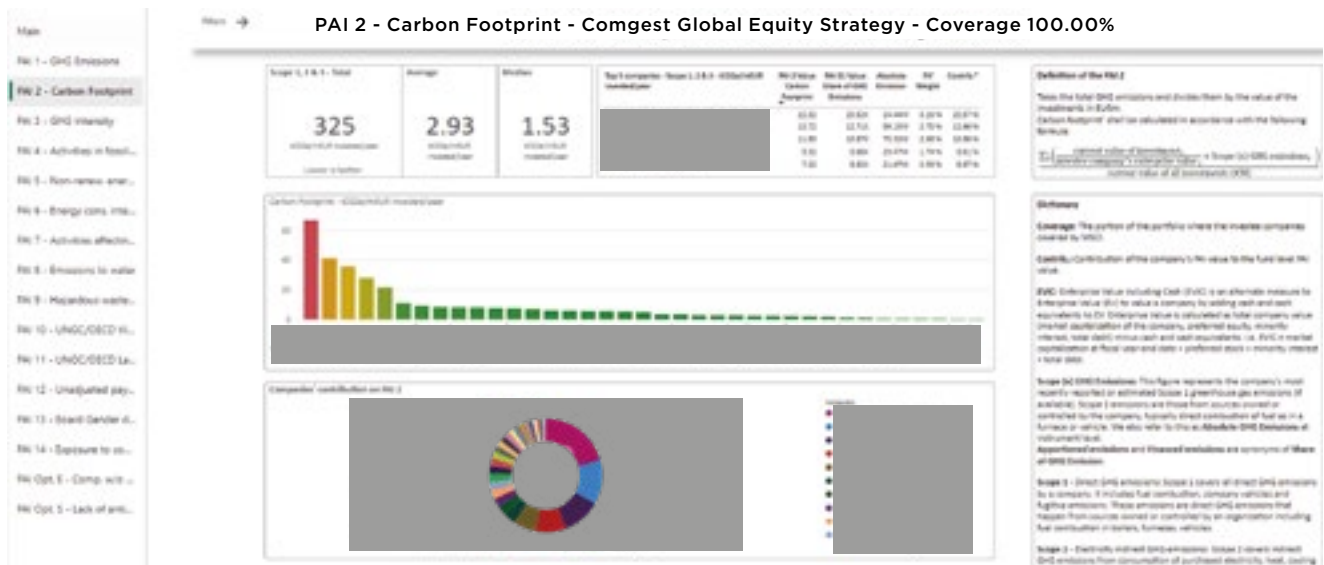
The ESG profile of a company can impact our estimate of the level of growth. For example, for companies directly benefiting from a product or service that represents an ESG opportunity, the projected growth rate will take this into account. For companies with significant ESG risks that may materialise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

USING STEWARDSHIP INFORMATION TO INFORM OUR INVESTMENT DECISIONS

In order to collect and share ESG data and information more efficiently, we have developed several in-house tools.

Our internal “ESG dashboard” system allows us to share a wealth of ESG information, both proprietary and from third parties, across all investment strategies, with the main purpose of providing our Investment Team with instant access to all relevant ESG data and information on companies and portfolios.

In 2022, in order to collect and share principal adverse impact (as defined in the SFDR regulation) related data and information more efficiently, we developed an internal tool, the “PAI Dashboard”, with the main purpose of providing the Investment Team members with instant access to all PAI-related data and information on investee companies, as well as a more granular view of each indicator at the fund level.



Our clients have selected Comgest to manage their assets because they trust us to be active, responsible owners. ESG-related information gleaned through our own research and supplemented by external data providers is part and parcel of all our investment analysis, and in some instances is the material factor in decisions to invest, divest or to escalate engagement with a company.

CASE STUDY



JERONIMO MARTINS

We have been a long-standing investor of the food retail company, Jeronimo Martins. During a review of “Sustainable Investments” in our Article 8 public funds (as per SFDR), our analysts realised that this company was achieving significantly more in the field of promoting healthy foods at an affordable price than its peers. Its ability to onboard long-lasting relationships with key suppliers to design and deliver organic products with better nutritional characteristics came across as above and beyond industry practices, explaining to a large extent Jeronimo Martins’ dynamic

growth in markets such as Poland and Colombia. While we were aware that this strategic focus was a key contributor to its success, the meticulous review of various criteria around Sustainable Development Goal #2 “Zero Hunger” led to Comgest requesting a meeting dedicated to this topic with the company, to address our long list of questions. We were very pleased with the meeting and concluded that the level of Jeronimo Martins’ transparency, third-party certifications and overall assurance to back some of the company’s claims puts them in their own league.

The table below illustrates and sums up some of Jeronimo Martins’ key contributions to SDG #2.

SDG #2: ZERO HUNGER	
<p>2.1 Access to safe, nutritious, and sufficient food</p>	<p>Safety is ensured with:</p> <ul style="list-style-type: none"> – 2 key policies: Product Quality & Safety Policy (establishes the development and monitoring system for private brand products and perishables) and Nutritional Policy (defines six pillars for product development) – Molecular biology laboratory (2021) verifies the authenticity of ingredients and prevention of food fraud – Several audits and certifications (ISO 22000:2018, FSSC 22000 v.5 certification, ISO 9001:2015, HACCP certification) – Target: In Portugal and Poland, continue to develop programmes promoting the Mediterranean Diet principles and healthy nutritional habits, based on recommendations by local experts, and raise consumer awareness on reading food labels (achieved mainly by the adoption of nutri-score symbol)
<p>2.2 End all forms of malnutrition</p>	<p>Increase quality of food through:</p> <ul style="list-style-type: none"> – Reformulations: review the recipes of food products (reviewed 150 products in total in 2020) with a focus on ingredients considered to be critical for public health: sugar, salt and fats. Reformulation confirmed by external entity. – Offering several gluten-free (1,134), vegan/vegetarian (201), organic products – Target: ensure that children’s products have a higher nutritional profile than the benchmark (or best-in-class) according to the country of operation

CASE STUDY



JERONIMO MARTINS



SDG #2: ZERO HUNGER	
2.3 Double agricultural productivity of small-scale food producers	No evidence found.
2.4 Sustainable food production systems and resilient agricultural practices	<ul style="list-style-type: none"> - Sustainable fishing: Every three years the company evaluates the conservation status of all species that it markets and adjusts its sustainable fishing strategy according to the results. At the latest certification date (2021), the company was 100% compliant with each of the three levels of conservation risk according to the categories of the International Union for Conservation of Nature and Natural Resources (IUCN) - Sourcing responsibly: In 2021, 89% of food products sold were sourced from local suppliers - Targets: <ul style="list-style-type: none"> ▪ For key commodities, 100% RSPO certification for palm oil in Portugal and Poland ▪ Reduce by 50% soy from unknown origins to 16% of total direct and indirect soy ▪ Reduce soy from countries with risk of deforestation to 25% ▪ Reduce beef of unknown origins to 2.5% of total beef purchases ▪ Achieve paper and wood sustainable certification (FSC® or PEFC) – at the latest certification this was achieved with 81% of virgin fiber used in products and 70% of virgin fibres used in packaging
2.5 Maintain genetic diversity	<ul style="list-style-type: none"> - Best practices implemented to ensure animal welfare: <ul style="list-style-type: none"> ▪ Banned growth hormones ▪ Only allow antibiotics for therapeutic purposes ▪ No animal testing - Regularly carries out laboratory tests and quality and food safety audits of its suppliers and the slaughterhouses to ensure compliance with company principles

CASE STUDY



JERONIMO MARTINS

Elements distinguishing the company from peers:

- Each process detailed by the company (reformulation, certificate products, sustainable fishing, etc.) has been verified by an external and independent entity, the number of audits and certifications is appropriate and therefore we believe that the company’s figures appear to be reliable.
- Several social commitments are strengthened with a series of targets in different areas (food, environment, sourcing, communities and employees)
- Jeronimo Martins Agro-Alimentar is focused on bringing sustainable sourcing solutions to their group. It currently operates in four distinct areas: dairy, livestock

farming, aquaculture, and fruits and vegetables. It allows the group to invest in strategic products (e.g., they recently entered a new country through a two-thirds share acquisition of Mediterranean Aquafarm, a Moroccan company) and to promote best practices (its operations own a few certifications, including Animal Welfare under the European Welfare Quality project; and each company of the group has high proportion of locally-sourced products: 82% in Portugal, 92% in Poland and over 95% in Colombia.

AAAQ FRAMEWORK APPLIED TO JERONIMO MARTINS	
Affordability	Maintain its leading price position in Poland, Portugal, and Colombia
Accessibility	Neighbourhood stores and supermarkets present in different locations, online presence expanding to more cities and serving more consumers (Poland; Portugal), ultra-fast delivery service (Poland)
Acceptability	Market leadership in Poland (received Food & Retail award) and Portugal
Quality	Commits to animal welfare (cage-free chickens), no GMOs, sustainable sourcing and fishing

Our analysis and discussions with Jeronimo Martins increased our conviction levels regarding the ability of the company to outgrow its markets through sustainable and responsible initiatives that translate into tangible competitive advantages.

PRINCIPLE 8

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

VENDOR MANAGEMENT PROCESS

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

Oversight is carried out through a combination of 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 their 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   RepRisk  SUSTAINALYTICS  S&P Global  Bloomberg  ISS 

We have chosen these data providers because they offer wide coverage in terms of investee companies, which corresponds to our investment 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, 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 this knowledge with them to help improve the quality of information they provide to 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 facts. Our own qualitative analysis often reveals the need to look beyond the data providers. For instance, in one case we noticed that a data provider flagged some petrochemical companies in the 'Exposure to companies in the fossil fuel sector' indicator under the principal adverse impact assessment (as defined in the SFDR regulation). Based on our knowledge of the business activities of these companies, and our understanding of the definition of the regulation, we did not agree with the assessment, and we therefore engaged with the data provider to understand their rationale. The data provider confirmed that they agreed with our understanding of the regulation's definition but confirmed that they would continue to include petrochemical companies in their assessment. Having understood the flaws in their assessment methodology, we decided to rely on our internal analysis for this case; and we will follow up with the data provider to see if they intend to correct their assessment in the future.

Our Head of Responsible Investment reviews and confirms the list of ESG service providers annually (or more frequently as required) to make sure they continue to fit our needs. 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 2022, when we ceased using a particular climate-related data source. As detailed in Principle 4, we worked on our target-setting framework in 2022, focusing on a portfolio coverage target and engagement threshold. Our previous data provider's product didn't allow us to measure and track progress

against these targets. We decided to build internal tools to perform this assessment instead.

Another way in which we contribute to the production of new and better data sources is through our membership in the Client Advisory Group of **→ Institutional Shareholder Services (ISS)**. The ESG Team holds annual meetings with ISS to discuss potential improvements to both our voting policy and their voting policy. This is in addition to the annual review of ISS's services by the ESG Team, comparing their voting recommendations to our voting outcomes over the past 12 months.

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 AND METHODS OF ENGAGEMENT

We define engagement as proactive, targeted dialogue with companies or other industry stakeholders (e.g., policymakers, industry bodies) in order to make known our areas of concern and to incite tangible, positive change to improve outcomes for stakeholders.

Our engagement work is two-fold:

- Interacting individually and/or collaboratively, with companies to discuss areas we have identified as a potential or tangible ESG risk; encouraging them to improve sustainability practices with specific, targeted objectives and milestones
- Contributing to advancing responsible investment within the industry through our participation in market initiatives, regulatory consultations and sharing of thought leadership

Methods of engagement include:

- Written communication (emails, formal letters) with companies and other relevant stakeholders
- Site visits to company premises, operational locations, suppliers and customers
- 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 former employees
- Interaction with collaborative partners (other shareholders, industry groups) which may be via written communications, meetings or a collaboration platform

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. Commence our engagement dialogue prior to investment

With our concentrated and long-term approach to investing, we hope to remain invested in a company for many years to come and therefore prior to

investing, we perform in-depth fundamental research. During this intense research phase, we will test a company's response to key sustainability risks as this can help us to decide whether we are willing to enter into a partnership with them for the long term.

2. Engage with all types of stakeholders

As well as engagement with investee companies, we also engage in dialogue with a wide variety of stakeholders across their value chains including customers, suppliers, competitors and former employees. We also engage with financial industry players, policymakers, industry bodies, NGOs, and wider civil society.

3. Engage over long periods of time

Engagement is clearly not a one-off event. A company's commitment to sustainability requires a process of constant improvement and an ability to adapt to new challenges. As long-term investors, 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 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.

At all times our engagement is forward-looking, long-term and performance-oriented.

4. Engage ahead of AGMs

We often engage ahead of general shareholder meetings to discuss and sometimes influence proposed resolutions, to ensure that they are aligned with the interests of minority shareholders and compliant with our ESG philosophy. The topics that are most likely to be discussed in the context of general meetings are top management's remuneration and shareholders' rights.

5. Be selective about topics of engagement

We engage with companies where we have identified material ESG risks that can be mitigated and/or ESG opportunities that can be developed. Materiality matters. We are proactive when engaging on important matters even when we know our opinion might not be well received. We target our engagement activity on:

- Material sustainability risk exposure that we have identified as part of our proprietary ESG Assessment, and where we believe the company should and could progress.
- Building a company's awareness of mounting investors' concerns – repeatedly raising issues can change practices over the long-term.

Our engagement is 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 turn, we expect to receive more informative, bespoke responses rather than standardised answers. When we engage on classic ESG themes, such as remuneration, diversity, corporate governance, climate, biodiversity or human rights, we tailor our questions and our recommendations to the circumstances of the company. We look to commend companies on achieving ESG milestones throughout our engagement process in order to encourage further advances. The issues we prioritise for engagement will vary between geographic regions, industry sectors and individual companies, and will be informed by our own research.

The examples provided below illustrate our approach:

- For businesses whose operations are highly dependent on access to natural resources (such as those in the food, beverage or textile sectors) or businesses whose products cause high emissions (such as the automotive and aviation industries), our engagement activity is likely to focus on managing environmental risks 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 certain regions and industries, issues such as corruption or taxation policies for example, may be a more common risk.
- We also engage with companies on thematic issues that are important to our clients and in line with our purpose and investment beliefs. As an example, a client communicated to us their rapidly evolving concerns on climate change and, in particular, to encourage companies identified as the largest carbon emitters in the client's mandate to set science-based targets. This request to engage with the largest-emitting companies to set SBTs aligns with our commitment to the NZAM initiative.

6. Engage with all companies, whether they are an ESG leader or laggard

As set out in Principle 7, as part of our proprietary ESG Assessment process for each company, which assigns an ESG Quality Level of 1-4, we identify sustainability strengths and weaknesses. We believe all companies can improve: even an ESG Quality Level 1 company has sustainability challenges to address. We therefore identify topics to engage upon right across our range of companies. Our ESG Quality Level 4 companies often require more attention: they are categorised as such because they require improvement. Our analysts

will typically increase engagement efforts with these companies and closely monitor their progress against our ESG milestones.

The Investment Team members responsible for each engagement track and report on the progress of the issues raised and ensure that this information is shared across the Investment Team so that engagement outcomes can be systematically integrated into the investment decision-making process.

ENGAGEMENT RESPONSIBILITIES

The ESG Team, with the approval of the Sustainability Committee, establishes the overall guidelines for engagement and works with the Investment Team analysts to set appropriate objectives for the individual companies in our investment universe. This team is also responsible for ensuring that Comgest remains aligned with its commitment to internationally recognised standards and initiatives (such as the NZAM initiative).

As those closest to the companies themselves, our Investment Team analysts are responsible for carrying out individual engagement activities. Often, they will seek the advice of an ESG Team member

or work alongside them when carrying out certain engagement activities.

Collaborative engagements are typically carried out by the ESG Team's Responsible Development members, who work with Investment Team analysts covering companies impacted by the topic at hand. This specialist team is also responsible for defining, evolving and implementing Comgest's thematic engagement strategy as well as leading Comgest's advocacy activities.

Our [Voting & Engagement Policy](#) can be found on our website.

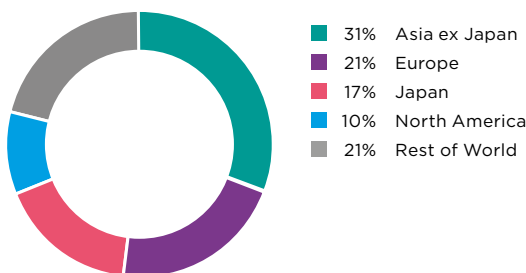
OUTCOMES OF ENGAGEMENT

As long-term investors, we know that our engagement could yield results gradually, sometimes over many years, before we would consider that our activities have reached a conclusion, as the case study on Inner Mongolia Yili illustrates.

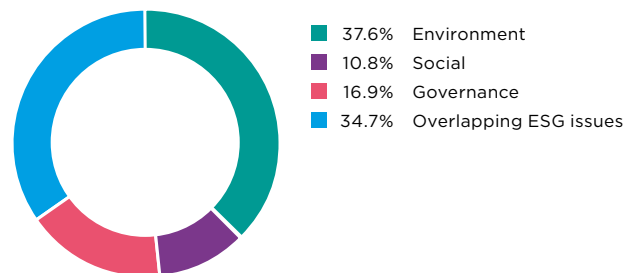
In 2022, we engaged with **152 companies** (vs. 135 in 2021) and carried out **213 engagement actions** (vs. 194 in 2021). Statistics on these activities are provided in the charts below (Figure 9). The most common topic of engagement was disclosure of climate-related information.

Figure 9. Engagement activities across Comgest's portfolios

Regional Breakdown



Topic Breakdown



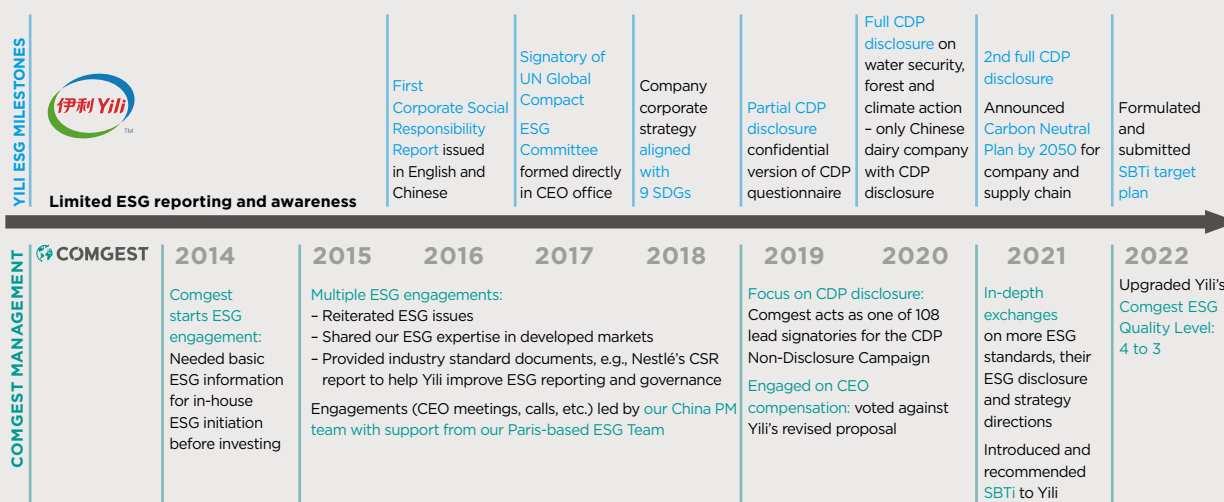
ENGAGEMENT IS A “MARATHON”



9 YEARS OF ENGAGING WITH INNER MONGOLIA YILI (YILI)

Since 2014, we have actively engaged with Yili, a Chinese dairy company held in several of our portfolios, with Comgest’s Hong Kong-based Investment Team and Paris-based ESG Team together leading the engagement.

YILI ENGAGEMENT TIMELINE



Source: Comgest / Company website and media communications, as of 30-Aug-2022. *CDP is the world’s leading collaborative engagement platform asking for specific climate-related improvements such as water consumption, deforestation and climate action. In 2020 50% of global market capitalization reported on climate action, deforestation and water consumption to CDP.

Request for disclosure and transparency

Given the company’s core business activity, high levels of GHG emissions were a material sustainability issue that we prioritised. Our initial dialogues focused on increasing transparency of environmental data. In 2019, we held a lead investor role in the CDP’s Non-Disclosure Campaign and asked Yili to answer three disclosure questionnaires covering climate change, water and forests. In addition to sending out letters, our analysts organised a one-on-one session with Yili in Hong Kong

to discuss the CDP’s disclosure process and the benefits of greater environmental data transparency. The company ultimately submitted partial and unscored questionnaires in 2019, and has responded to the three CDP questionnaires every year since 2020, with the overall scores improving over time (from a “C” in 2020 to a “B” in 2022 on climate change; from a “B-” to a “B” on water security; and from 3 “C’s” to 2 “B’s” and 1 “B-” on forest).

ENGAGEMENT IS A “MARATHON”



9 YEARS OF ENGAGING WITH INNER MONGOLIA YILI (YILI)

Encouraging the company to set science-based targets and broader sustainability plans

In 2021, Yili reached out to get our views on the SBTi and its target-setting standards. We explained the importance and benefits of setting SBTs as well as third-party validation of the targets. We were pleased to see that the company formally committed to the SBTi in H1 2022. During our meeting in 2022, the company confirmed that they had submitted their near-term targets, and were awaiting approval from SBTi and expecting to receive a formal response in 2023. During our meeting, we also discussed their initiatives and measures put in place to reduce their environmental footprint, notably on scope 3 emissions, renewable

energy use, green packaging, etc. From 2012-2021, Yili reduced its Scope 1 and 2 carbon emissions by 51% per ton of products through the use of green packaging materials and improved production efficiency; however, since Yili does not directly own any farms, the largest emissions in its value chain, namely carbon emissions from upstream farms, fall under Yili’s Scope 3 emissions. Starting from 2021, Yili began to systematically compile Scope 3 emissions data and reduce carbon emissions by helping dairy farmers optimise their feed formulas. We encouraged Yili to set quantitative targets for optimising dairy feed to reduce Scope 3 emissions more efficiently.

In recent years, we have broadened our engagement topics and leveraged our long-term relationship with Yili to facilitate communication with other stakeholders.

In 2021, as an active supporter of the FAIRR initiative and after learning that FAIRR had not received a response from Yili on its Collier FAIRR Protein Producer Index survey, we reached out to encourage Yili to respond to the survey, which they ultimately submitted in a timely manner. During our meeting held in 2022, the company asked us to review with them ESG ratings they received from different service providers and the Collier FAIRR Protein Producer Index in order to help

them understand where they stand in comparison to their peers and where they can improve. We salute the company’s openness, initiative in seeking our advice and willingness to improve. In addition, Yili informed us that they were unable to contact a specific data provider to provide feedback on some missing or incorrect data. We therefore helped them get in touch with the relevant data provider in January 2023 so they can provide their feedback.

CASE STUDY

**EXAMPLE OF A SUCCESSFUL ENGAGEMENT - AMADEUS**

In 2021, we started an engagement on remuneration with Amadeus, a leading travel technology company. We put forward our concerns regarding the CEO package during two meetings, and eventually voted against the 'Say on Pay' item at their AGM. In our view, the remuneration package was too generous vis-à-vis the company's results and unbalanced in terms of short- and long-term components of the remuneration scheme. Given the depth of our dialogue with the company over the years, and being a significant shareholder, we believe that it was important for us to clarify our voting rationale and further describe our expectations regarding future remuneration schemes. In addition to sharing our views during meetings with the company's Head of Investor Relations, Board Secretary and Head of Compensation, we sent a copy of our recommendations to the Board.

This dialogue held in 2021 continued in 2022, with Amadeus' Board reaching out to collect our feedback on their upcoming remuneration policy. We took comfort in the fact that some of our ideas, including expanding their range of remuneration outcomes, were included in the new policy.

We have also been advocating for the inclusion of an ESG metric based on the amount of kerosene saved thanks to the adoption and usage of some of Amadeus' solutions and software. Indeed, some solutions modules of Amadeus can help airline companies optimise their flights in many ways that lead to shorter distances travelled and less fuel burnt. While the details of how this could be calculated remain to be finalised, we were pleased to see that the Board remains focused on finding a way to link an ESG target to the sale of dedicated software and variable remuneration in the near term. Progress made by the company led us to vote for the 'Say on Pay' item on remuneration at the 2022 AGM.

In November, we resumed our engagement with the Board through a meeting held collaboratively with three other investors. During the discussion we gave feedback on the latest version of the company's remuneration policy and followed up on the inclusion of ESG targets.

Overall, we applaud the company for being open to ideas and appreciate the Board's transparency and efforts to align remuneration schemes with investors' expectations while seeking ways to better integrate ESG metrics in packages.

DIFFERENTIATING OUR ENGAGEMENT APPROACH BY REGION

Environmental disclosure remains a priority engagement objective in our Emerging Markets and Japanese strategies

A lack of environmental disclosure is often an obstacle we face, especially in Emerging Markets and Japan where companies tend to be 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 supported on an annual basis since 2018. During the 2022 NDC, 72% of the companies we targeted were based in Emerging Markets or Japan.

We see our role as helping these companies understand the importance of enhancing transparency in their environmental practices, as well as assisting them in navigating the CDP reporting process or, when necessary, connecting them with a local CDP team. For instance, we were able to address the concerns of NetEase, a Chinese internet technology company, regarding their inability to answer all of the fields in the climate change questionnaire, resulting in a poor score. Our analyst explained to the company that we weren't expecting NetEase, as a first-time responder, to have all answers in one go, nor did we expect a high score for all responses. We explained that we saw disclosures to the CDP as a journey and rather used the scores to monitor progress over time, preferring a partial response to no response at all. We were pleased to see that the company started its reporting journey by submitting their first climate change questionnaire in 2022.

Our engagements on environmental disclosure are not solely carried out through the NDC. We also cover the topic during individual discussions with companies, both before and after the campaign. For instance, in March 2022, our analysts held a meeting with Daifuku, a Japanese industrial machinery

company, to review the company's past climate change questionnaire and highlight the importance of continuing to strengthen its disclosure by also completing the water questionnaire. The meeting was an opportunity to provide the company with advance notice that we would be taking a lead role in the upcoming CDP's NDC and to highlight our expectations for disclosures. The positive feedback received during the discussion with the company's representative was encouraging and we were pleased to see that the company followed through by submitting their first water questionnaire in 2022.

We also continue engagement directly with companies after the end of a campaign. For instance, we continued discussions with Nitori Holdings, a Japanese home furnishing company, even though the company did not respond to the climate change questionnaire. During a call held in 2022, we reminded the company of the importance of disclosing standardised environmental information and laid the groundwork for the 2023 NDC. We suggested that the company needed further guidance on the CDP questionnaire and best practices. To assist them in this, we connected the company's representatives with the local CDP team which intends to share guidance with them on these topics, in Japanese.

“A lack of environmental disclosure is often an obstacle, especially in Emerging Markets and Japan where companies tend to be less pressured by regulators to disclose climate risks, opportunities and impacts.”


CASE STUDY



DIFFERENT ENGAGEMENT METHODS TO ADDRESS THEMATIC ISSUES

As long-term investors, our performance is tied to the success of the companies we invest in, and we think of engagement as an opportunity to partner with these companies to drive change in their sustainability practices. We do not refrain from holding companies with weaker ESG profiles if we can see a credible path to improvement. Whilst our exclusion policy ensures that we avoid exposure to certain industries such as tobacco, electricity producers with an energy mix exposed to coal and thermal coal mines, we believe investment in other ESG-sensitive industries, such as the agriculture and food industry, is certainly possible for Comgest so long as our research properly addresses biodiversity and other environmental and social issues. To maximise the impact of the engagements that we carry out, we combine several approaches — individual engagement is ideal to maintain an ongoing dialogue with companies and monitor progress against sustainability targets, whilst collaborative engagement is useful to strengthen our leverage as well as share best practices with like-minded investors.

In 2022, we engaged both individually and collaboratively with the 3 salmon farming companies that we hold in our portfolios, namely **Bakkafrost**, **SalMar** and **Salmones Camanchaca**.

Whilst salmon farming is a lower carbon-intensive source of protein compared to land-based  **livestock**, the industry has other significant ESG risks that can't be ignored and which we address in our engagement programmes with companies operating in the sector.

We conducted an in-depth review of the sustainability credentials of the salmon farming sector, based on 4 environmental themes: biosecurity/fish health, sustainable feed, environmental footprint, and novel technology. As part of the assessment, in addition to regular meetings and site visits, we initiated individual dialogues with our portfolio companies in 2022. We engaged with Salmones Camanchaca in June 2022 to discuss biosecurity, food safety, sustainable fishing certifications, employee health and safety, whilst our individual dialogues with Salmar and Bakkafrost in Q4 2022 mainly focused on the topics of sustainable feed, emissions and seafloor waste.

In 2022, Comgest joined the FAIRR Sustainable Aquaculture Initiative, a collaborative initiative that aims to encourage the world's largest salmon companies to develop a strategic, science-based approach to diversifying feed ingredient sources. We co-led the collaborative engagement of our 3 salmon farming investee companies. As part of the engagement, we participated in a meeting with Bakkafrost executives, during which they were able to answer most questions in detail and share a thorough presentation that addressed the engagement requests of FAIRR and investors, such as their rationale for relying on marine ingredients and the results of their feed trials with plant-based ingredients. We were pleased to see that the company had conducted some risk assessments on the future volatility of marine ingredient supplies and had prepared alternative solutions. We also noted positively their willingness to work towards the milestones set by investors in terms of R&D and transparency.

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. In 2022, Comgest set thematic priorities for collaborative engagement for the first time, identifying 3 ESG risk

areas of focus for the Responsible Development Team at Comgest: climate, biodiversity and human rights. These topics are considered material in relation to primary ESG risks and principal adverse impact mitigation. Climate and biodiversity have been prioritised for collaborative engagement across all portfolios and companies. Please see the below list of collaborative engagements for the year 2022.

Examples of collaborative engagements undertaken in 2022

SPONSOR/TITLE	REGION	OBJECTIVE	OUTCOME
CDP Non-Disclosure Campaign	Global	As per the last four years, Comgest participated in the CDP Non-Disclosure Campaign, a collaborative engagement campaign that encourages companies to disclose more standardised environmental information to allow for better comparison. We led engagements with 21 companies to request the submission of CDP climate change, water and/or forest questionnaires. We supported the engagement with 32 additional companies by co-signing letters requesting companies to disclose through the CDP questionnaires.	Overall, 26.5% of the companies engaged in the 2022 CDP Non-Disclosure Campaign responded to at least one CDP questionnaire (i.e., climate, water or forest). According to the CDP, companies engaged in the campaign were 2.3 times more likely to disclose if engaged by investors to do so. Out of the 53 companies engaged by Comgest, 16 responded to at least one CDP questionnaire.
CDP Science-Based Targets Campaign	Global	Following last year's initiative, Comgest renewed our participation in the CDP Science-Based Targets Campaign*, a collaborative engagement initiative that aims to accelerate the adoption of science-based climate targets by companies. * CDP is one of the founding partners of the Science-Based Targets initiative (SBTi).	Overall, 24% of the companies engaged in the CDP SBT Campaign joined the SBTi between May 2021 – September 2022.
FAIRR Sustainable Aquaculture Initiative	Global	Comgest joined FAIRR's collaborative engagement initiative which encourages the world's largest salmon companies to develop a science-based approach to diversifying feed ingredient sources in order to better manage ESG risks associated with sourcing wild forage fish and soy. Comgest co-led the collaborative engagement of 3 companies.	The 3 companies that we engaged as a co-lead on all agreed to meet with investors, and Comgest participated in a meeting with 1 company. We will follow up to see if the companies address the recommendations made by investors for 2022 – 2023.

SPONSOR/ TITLE	REGION	OBJECTIVE	OUTCOME
Investor Letter on Chemicals	Global	Comgest joined an investor group (consisting of 23 investors with USD4.1 trillion in assets under management) to urge the world's biggest chemical companies to phase out production of hazardous substances which linger in the environment and have been linked to serious health problems. In December 2021, the investor group sent a letter to the world's 50 largest chemical producers, asking for greater transparency on the chemicals they produce and a phasing out of the most hazardous chemicals. In 2022, Comgest co-led engagements with 4 companies. We sent follow-up emails requesting a response to our letter with detailed questions as a preparation for a potential call to discuss the issues in more depth.	<p>In H1 2022, we met with 3 companies and received an email response from 1 company.</p> <p>In H2 2022, Comgest engaged with other investors to jointly determine next steps and a common basis for engagement. The investor group signed a follow-up letter to the chemical producers.</p> <p>We will continue to participate in this engagement in 2023.</p>

On human rights, Comgest signed the Investor Alliance for Human Rights' statement in June 2022, and joined two working groups:

- ICT & Human Rights
- Uyghur Region Engagement Group

We are currently participating in these working groups and may engage with some companies on related issues.

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 areas for improvement have been identified in our ESG analysis, Comgest will intensify research, which can include conducting additional site visits or meetings with independent board members, stakeholders, middle managers or other employees across the organisation.

WHEN DOES COMGEST ESCALATE?

Our approach to escalation does not differ across portfolios or geographies, apart from where local laws and practices require, such as with respect to filing shareholder resolutions. All of our portfolios adopt our singular quality growth investment style and an active approach to ownership.

Our goal when voting and engaging with companies is to maintain a transparent dialogue in order to achieve improvement. We like to work in partnership with our investee companies on engagement issues. 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, would we be potentially compelled to escalate our concerns. This could occur if we were not satisfied with company responses after multiple interactions, including with their Investor Relations team and/or senior executives.

As a first step of escalation, we would typically raise our concerns to the board, including independent board members. At this stage, we would also consider a collaboration with other investors which can be a more efficient form to achieve desired outcomes from escalation activities. We would 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. More rarely, we may inform regulators or the press of our stance or file a shareholders' resolution. As long-term investors, we have always

been comfortable knowing that engagement may 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.

As highlighted in Principle 7, during our proprietary ESG Assessment process, each company is assigned an ESG Quality Level of 1– 4 (1 being a leader, 4 being a company that requires improvement) and 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. If we believe there is no prospect that the company will enact any changes, and if our concern is material in nature, we may sell our position. Once an engagement is identified as a material concern, we define a maximum horizon of 5 years to engage and evoke change, before exiting in the best interest of shareholders.

CASE STUDY



ESCALATION FOLLOWED BY DIVESTMENT – TELEPERFORMANCE

Comgest held Teleperformance in several European portfolios until November 2022. Teleperformance operates customer support service centres for large clients such as Apple or Amazon. Their employees are located across the globe (Colombia, Philippines, Albania, etc.). This ambitious company is known to have a “high-performance” culture which is helpful to sustain growth and to serve their demanding clients. That said, this type of culture is a double-edged sword that we believe can leave room for managers, heavily focused on delivering results, to create stressful and toxic work environments. As a significant shareholder with a good access to their Management and Board, we have been intensely engaging with the company and escalating in different ways to steer them towards conducting business with careful consideration of their employees and other stakeholders.

Our engagement activity started in 2019, with discussions on their workplace environment and evolution of their company culture. In 2021, we intensified our engagement following an OECD investigation of the company’s employment practises, and recommendations in August by the French National Contact Point (NCP), an independent authority, investing a complaint by UNI Global Union stating that Teleperformance violated worker rights to a safe workplace in certain countries during the covid pandemic. We held numerous calls with the company (management and Board representatives) to address the issues and communicate that we expected a roadmap with clear milestones on how their employee practises would improve. We also participated in collaborative engagements with other shareholders and stakeholders (trade unions in particular) requesting demonstrable action by the company on the issues raised. In addition, we voted against the re-election of certain Board members we deemed as too close to management, in order to encourage a structure with Board members who will challenge management and bring new ideas, establishing a better balance between business

performance and employee/stakeholder engagement.

In March 2022, in the wake of previous engagements with the company, we followed up with a call to their Deputy CEO and Head of CSR to find out if any progress has been achieved in terms of labour relations in certain countries (notably, Colombia). We noted that the company was building better communication channels in some countries and was still in the process of building bridges in others.

In April, we sent a letter to the Board to follow up on this issue and made a recommendation that they engage with an ethics specialist who has a solid track record, having previously worked with a large listed company. The Board’s response was that Teleperformance has already implemented some of the recommendations of the NCP and intended to maintain its commitments in the future. We were also reminded that a Board-level CSR Committee was created in January 2021, to take into account the increasing importance of these matters. We were not satisfied with this response, as we were expecting a more proactive response from the Board, which could have also tried to investigate the matters directly and not just rely on getting updates on measures implemented by management.

Given the strong personality of founder, Chairman and CEO, Daniel Julien, we increasingly had the impression of limited counterpower from the Board of Directors. We were also not satisfied that no clear timeline for the CEO succession was provided given Daniel Julien’s age and the less-than-ideal situation of having a combined Chairman – CEO role. Furthermore, given the continued complaints regarding employee treatment brought about by UNI Global Union, we were increasingly concerned about the gap between the company’s messages on its labour efforts and criticism from external stakeholders. In June, we decided to downgrade our internal ESG Quality Level (on 1-4 scale) for Teleperformance from Level 2 to Level 3.

CASE STUDY



ESCALATION FOLLOWED BY DIVESTMENT – TELEPERFORMANCE

Following a *Forbes* article published in early August that referenced allegations about the way the company manages its “content moderation” business line in the US and, in particular, for their client, TikTok, we met with the company’s CEO in September, during which the company strongly denied most of the article’s allegations and provided some factual counter-arguments. We used this controversy to urge the Board to meet with a business ethics expert that we previously recommended to the company and become more independent from the management in order to exercise oversight as rigorously as possible. After numerous attempts, a meeting between the Lead Independent Director of the Board and the business ethics expert finally took place, but without any representative from Teleperformance’s management team. In the meantime, we decided to reduce the size of our holding.

In early November, Teleperformance issued solid Q3 and 9M 2022 results. However, we were growing more concerned with the disconnect between the very solid financial performance of the company, their numerous ‘Great Place to Work’ awards, and the growing number of negative press coverage, combined with continued

allegations of poor working conditions by UNI. Some of the most senior portfolio managers of our Europe strategy, along with our company and ESG analysts, met with Daniel Julien, who is generally not available for shareholders, except for rare and important occasions. We had urged to meet with him to cover some recurring issues around their labour practices. The CEO came across as dismissive of any allegation of poor employee working conditions at Teleperformance. Following various controversies on this topic, we asked the company, and its Board in particular, to demonstrate more stringent and independent oversight on their Human Capital management. We specifically asked the company to publish the report of an investigation launched internally with the support of an independent third-party. The company did not publish it. Later in November, we met with the Lead Independent Director on the Board and urged him to exercise more oversight, along with constructive critical thinking, but we did not identify any resulting actions. With another controversy brewing at that time, and sentiment around the issue not properly overseen, we divested from the company across all our portfolios.

CASE STUDY



ESCALATION FOLLOWED BY DIVESTMENT – SAIC MOTOR

SAIC Motor, a Chinese state-owned automobile manufacturer, is an apt example of a situation where our escalation efforts did not bring us the expected results and, consequently, we divested from the company.

Our engagement with SAIC Motor started in 2018 and covered several topics related to ESG, in particular transparency on environmental data and human rights issues. However, the company failed to deliver a satisfactory response throughout our engagement.

Comgest participates regularly in collaborative engagements on climate and forest (participation in the CDP Non-Disclosure Campaign on climate change in 2019, 2021, and 2022, and on forest in 2021 and 2022). We also co-led the collaborative engagement under the Climate Action 100+ framework to engage with SAIC to request more disclosures on climate related issues. Despite having set operational targets for its climate change mitigation products (i.e., electric vehicle and hybrid vehicle) and starting to consider a life-cycle assessment for these products, the company stated that it had no intention to disclose environment-related data to the CDP or to publicly commit to any targets related to environmental metrics.

The company also failed to show a satisfactory response on human rights issues. In 2020, SAIC was accused of potentially using forced labour in the factories of its joint venture with Volkswagen in Xinjiang. The continued increase in media attention on this topic exacerbated our

concerns, and we questioned the company on this topic during our engagement in March 2021. The company denied the allegations.

Following MSCI's downgrade of the company in 2022 due to the aforementioned allegations involving human rights violations, we reached out to SAIC's investor relations team again to learn more about its labour practices in its own operations and at the level of the joint venture, as well as in its supply chain. We received a formal response from the investor relations team claiming that they were in compliance with China's labour laws, which used nearly the same wording as the previous response they gave us on this topic in 2021, but without actually answering any of the questions we raised.

In light of our experience with SAIC over the years in which the company showed a lack of responsiveness and willingness to improve, this response sadly came as no surprise. However, it proved as 'final straw' evidence that our engagement efforts with SAIC had not brought the progress we had hoped for. We had been gradually reducing our stake in SAIC for primarily fundamental reasons. Following this inadequate response from the company, the Investment Team discussed the validity of the holding in depth in light of its unchanged ESG risk profile, reaching a decision to divest entirely from SAIC across all portfolios by the end of 2022.

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 technically possible. We have designed our Voting and Engagement 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 [▶ **Voting & Engagement Policy**](#).

All voting decisions are taken by the lead analysts for the company concerned. We apply our own voting policy and do not delegate or outsource votes. To make the voting process as efficient as possible, Comgest uses the services of ISS (Institutional Shareholders Services), a leading proxy voting

service provider, but we do not use their benchmark policy. ISS analyses resolutions and makes voting recommendations in accordance with our Voting Policy. Voting recommendations are reviewed by Comgest's lead analyst for the stock concerned.

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.

- **An example of this is our contribution to improve the current legal regime for filing shareholder resolutions in France and in Europe:** In 2022, we actively participated in an initiative with the aim of making the filing of shareholder resolutions easier in France. This initiative aims to defend the right and the technical ability of shareholders to file resolutions in France and within Europe by promoting a clear framework and a level-playing field across countries. The current framework in France is quite complex and some shareholder resolutions have been rejected by French companies on grounds that, in our view, can be heavily disputed. The technicalities around filing such resolutions have also been quite challenging with very tight deadlines and complex logistics. As part of this initiative, Comgest aims to convince other asset managers and asset owners to join the initiative and to promote it to policymakers.

2. Systematically vote whenever possible

As an active investor and signatory to the PRI, 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:** companies should think big and plan long. Boards of directors, management and employees should be responsible for ensuring continuous improvement through all levels of the organisation. Innovation and initiative should be part of the corporate culture. We believe a long-term performance orientation leads to better personal, team and financial performance and encourages employees to 'go the extra mile' for customers and shareholders.
- **Accountability and transparency:** executive and non-executive directors need to take full ownership of their duties and responsibilities, share information in a sufficiently open and timely manner, be able to answer questions and explain decisions, uphold trust and confidence and be fully accountable for the consequences of their actions.

- **Honesty and integrity:** compromising honesty and integrity can be disastrous for a company's image, brand, morale and performance. Qualities, attributes and competencies that nurture and embrace honesty and integrity are vital to keeping a company whole, internally and externally. Companies should be vigilant, reliable and constantly seek to earn the trust of employees, customers and shareholders.
- **Shared purpose and engagement:** both executive and non-executive directors should align their own interests with what is best for the company. Managers should lead by example with respect to all of the company's stakeholders and successfully engage with them via their vision, leadership and capacity to inspire trust. Similarly, each employee should understand how their role contributes to the successful realisation of the company's business purpose.

Our voting policy aims to encourage and reinforce the inherent values contained within these 4 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 therefore we are not generally in favour of multiple share classes with various voting rights that allow certain 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 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 rigidly apply our Voting Rules and we may diverge from them in exceptional circumstances. If so, we look to ensure that our decision remains aligned 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 we feel that this is in the company's and the shareholders' best interests. In such cases, Comgest will typically explain to the company concerned our rationale, ahead of the AGM and, in an ongoing dialogue, 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 not good enough to justify its support, nor bad enough to justify a vote against it. 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 **3%** of cases in 2022.

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

For our pooled funds, Comgest retains full voting discretion and applies our voting policy. Clients cannot influence voting on pooled funds. However, we do consider clients' feedback and industry practice when reviewing and updating our Voting & Engagement 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

The ISS web-based proxy voting platform 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's Voting Rules. Comgest gives responsibility for analysing resolutions to the analyst who covers a stock. 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 2022, Comgest voted at **444 general meetings**, representing over **98%** of all general meetings held by investee companies, or around **99%** excluding meetings at which Comgest declined to vote to avoid conflicts of interest (see section IV of Comgest's [Voting & Engagement Policy](#)).

Comgest did not vote at **5 general meetings** held by **5 companies**, either for technical reasons or because voting was not considered to be in the best interest of investors (e.g., to prevent blocking of shares).

Overall, Comgest voted on **5,107 resolutions** concerning **339 companies** in **38 countries**.

Comgest **voted against, or abstained from voting on, at least one resolution** at **287 general meetings**.

Our [voting records](#) are published online, which is updated every quarter with a 3-month lag.

General Meetings by Country

COUNTRY	VOTABLE MEETINGS	VOTED MEETINGS	%
Bermuda	2	2	100.00%
Brazil	37	37	100.00%
Cayman Islands	16	16	100.00%
Chile	1	1	100.00%
China	40	39	97.50%
Colombia	4	4	100.00%
Cyprus	1	1	100.00%
Denmark	9	9	100.00%
Faroe Islands	1	1	100.00%
Finland	1	1	100.00%
France	13	13	100.00%
Germany	16	15	93.75%
Greece	1	1	100.00%
Hong Kong	2	2	100.00%
India	65	65	100.00%
Indonesia	1	1	100.00%
Ireland	10	6	60.00%
Italy	3	3	100.00%
Japan	72	72	100.00%
Jersey (Channel IsL, UK territory)	3	3	100.00%
Kazakhstan	3	3	100.00%
Luxembourg	8	8	100.00%
Mexico	8	8	100.00%
Netherlands	10	10	100.00%
Norway	4	4	100.00%
Pakistan	1	1	100.00%

COUNTRY	VOTABLE MEETINGS	VOTED MEETINGS	%
Philippines	1	1	100.00%
Portugal	1	1	100.00%
Russia	3	3	100.00%
South Africa	4	4	100.00%
South Korea	8	8	100.00%
Spain	2	2	100.00%
Sweden	3	3	100.00%
Switzerland	12	11	91.67%
Taiwan	4	4	100.00%
USA	43	43	100.00%
United Kingdom	13	13	100.00%
Vietnam	27	25	92.59%

Comgest exercised its voting rights on **5,107** resolutions out of a total of **5,172** resolutions, representing **98.7%**.

Comgest voted on **137 shareholder resolutions**.

Exercise of Voting Rights

BREAKDOWN OF VOTES	%
For	82%
Against	15%
Abstentions or Withholdings	3%
In Line with Management	83%
Against Management	17%

BREAKDOWN OF VOTES	%
In Line with Comgest Policy	97%
Against Comgest Policy	3%
For Shareholder Resolution	64%
Against Shareholder Resolution	27%
Abstention on Shareholder Resolution	9%

ESG Themes

BREAKDOWN OF THEMES	%
Environmental	0.20%
Social	1.37%
Governance	98.14%
ESG	0.29%

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.

We make the following reports available with information on our voting statistics:

- Annual Voting & Engagement Report:** this includes qualitative information, commentary and statistics on Comgest's voting in relation to each of our public funds and segregated mandates for the previous year.
- Proxy Voting Dashboard:** An online summary of Comgest's voting activity
- Quarterly Responsible Investment Reports:** A summary of the voting activity related to Comgest's portfolios. These reports are available upon request.
- On-demand Voting Reports:** For segregated mandates, Comgest can provide specific voting reports upon request.

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, and votes that represent a significant shareholding. Below is an illustrative selection of significant votes during the year 2022.

Examples of Votes Against Management/Abstention

SAP: VOTE AGAINST MANAGEMENT (AGM, 18-MAY-22)

- Ratify KPMG AG as Auditors for Fiscal Year 2022

- **Rationale:** The auditor's tenure exceeds 15 years.
- **Outcome:** Pass (Dissent Level: 5.0%)

- Ratify BDO AG as Auditors for Fiscal Year 2023

- **Rationale:** We decided to vote against the selection of BDO as we doubt an audit firm of this size can gather the resources and competences required to audit a firm like SAP. The complexity of their revenue recognition and many other accounting-related processes is unparalleled in the software industry.
- **Outcome:** Pass (Dissent Level: 0.2%)

- Elect Hasso Plattner to the Supervisory Board

- **Rationale:** We decided to vote against the re-election of Hasso Plattner as Chair of the Board. Having been one of the five founders of SAP, Hasso Plattner has been at SAP for almost 50 years. We hold him accountable for some of the governance shortcomings of SAP and we would rather see him leave the Board. In our view, the company needs a different oversight.
- **Outcome:** Pass (Dissent Level: 9.5%)

TENCENT: VOTE AGAINST MANAGEMENT (AGM, 18-MAY-22)

- Elect Ian Charles Stone as Director

- **Rationale:** We voted against the re-election of Mr. Ian Charles Stone and Mr. Dong Sheng Li as directors. They have both served on the company's Board for more than 18 years and no longer meet our definition of an Independent Director and have been reclassified as Non-Independent Directors.
- **Outcome:** Pass (Dissent level: 16.7%)

KEYWORDS STUDIOS: VOTE TO ABSTAIN (AGM, 20-MAY-22)

- Re-elect Ross Graham as Director

- **Rationale:** We voted to abstain on the re-election of the Director who chairs the Nomination Committee due to a female representation below 30% and few indications they would remediate this after we engaged with the company.
- **Outcome:** Pass (Dissent Level: 9.5%)

Votes Against Comgest's Voting Policy

KOBAYASHI PHARMACEUTICAL: VOTE AGAINST COMGEST'S VOTING POLICY (AGM, 30-MAR-22)

- Elect Director Kazumasa Kobayashi

- **Rationale:** Despite being over 80 years old, Chairman Kobayashi continues to remain active, performing his duties well. He attended all of the Board meetings last year, leading the meetings appropriately as Chairman, and also received good evaluations from Outside Directors of the Board. He also conducts "K-ei juku", a special training course for select employees who are officer candidates to pass down the company's DNA. Furthermore, he is aggressively communicating with the public through media interviews, a new book (published in January 2022), and lectures in a business mail magazine. He even promotes the company's products and brands in China on TikTok.
- **Outcome:** Pass (Dissent level: 4.5%)

HALMA: VOTE AGAINST COMGEST'S VOTING POLICY (AGM, 21-JUL-22)

- Approve Remuneration Report

- **Rationale:** We believe the increase in executive compensation within the last 18 months is an indication that the management compensation package is no longer appropriate given the size and success of the company. Looking at the last five years, the compensation does not show any increase, but true to the performance culture of Halma, the remuneration of the executives has gone through large ups and downs in the wake of hard-to-meet but rewarding performance targets. The fixed component of the CEO's remuneration has increased but it remains in a range that we would consider adequate for a company of that size and with such success. To put this in perspective, the total compensation of the CEO has doubled over the last ten years, starting from a reasonable base, while the size and revenues tripled. The loss of a senior executive last year to become CEO of another company suggests there is competition for talent and the company needs to be at least in line with competing salaries.
- **Outcome:** Pass (Dissent Level: 32.9%)

- Re-elect Jo Harlow as Director

- **Rationale:** We believe it is important for Jo Harlow to continue as Chair of the Remuneration Committee and we therefore voted in favor of her re-election.
- **Outcome:** Pass (Dissent Level: 23.2%)

Votes Against Comgest's Voting Policy

KINGSPAN GROUP: VOTE AGAINST COMGEST'S VOTING POLICY (AGM, 29-APR-22)

- **Re-elect Jost Massenberg as Director (Outcome: Pass - Dissent Level: 23.9%)**
- **Re-elect Gene Murtagh as Director (Outcome: Pass - Dissent Level: 5.6%)**
- **Approve Remuneration Policy (Outcome: Pass - Dissent Level: 20.1%)**
- **Amend Performance Share Plan (Outcome: Pass - Dissent Level: 19.9%)**
 - **Rationale:**
 - We supported the re-election of the Chair of the Nomination Committee despite the Board being made up of only 27% female directors. Although the level is below our expected threshold of 30% for a European company, since we have discussed this with them, their female representation went from 17% to 27%, and we have received their assurances that the threshold will soon be above 30%. The Chair of the Nomination Committee has been instrumental in this progress, so it seemed counter-productive to not support them. While our Voting Policy could have led us to vote against the re-election of the current CEO for his alleged responsibility in some severe controversies, we decided to support him. Our multiple engagements with Kingspan's Board and Management, as well as the numerous steps taken by the company over the past 18 months, indicate that the Grenfell building tragedy has been managed with a deep resolve to ensure product and public safety in the future.
 - Lastly, we could have voted against the remuneration policy of the company but decided otherwise as it meets all of our criteria: fully transparent, highly relevant (both the STI and the LTI), very challenging and definitively long-term. We appreciate the cap and the Board's access for us to review in detail what drives each component. Lastly, we also recognise the competitive pressure the company is facing to retain talent.

SANLAM: VOTE AGAINST COMGEST'S VOTING POLICY (AGM, 08-JUN-22)

- **Reappoint Ernst & Young (E&Y) as Joint Auditors with Christo du Toit as the Individual and Designated Auditor**
 - **Rationale:** PwC has been appointed to replace E&Y effective for the 2023 financial year. It was deemed appropriate to allow E&Y to share the audit with KPMG for a smooth transition. Therefore, we vote for this resolution.
 - **Outcome:** Pass (Dissent Level: 26.8%)
- **Re-elect Kobus Moller as Member of the Audit Committee**
 - **Rationale:** Sanlam is a complicated, diverse financial services company. Kobus Moller was a very effective and strong financial director during his tenure, and he has completed his mandatory cooling off period before re-joining Sanlam's Board. With a new CFO, head of Finance and new auditors, it was deemed important to have some level of continuity to understand the history and context of Sanlam's accounting and financial culture. Therefore, we decided to vote for this resolution.
 - **Outcome:** Pass (Dissent Level: 11.3%)

Shareholder proposals

WALMART: VOTE FOR SHAREHOLDER PROPOSAL (AGM, 01-JUN-22)

- Report on Impacts of Restrictive Reproductive Healthcare Legislation

- **Rationale:** Given that currently 11 US States ban abortion coverage in all state-regulated private insurance plans, following the Supreme Court's June 2022 decision to overturn the federal right to an abortion (under Roe v. Wade), which has triggered abortion bans in various states and increased the likelihood that the company's female workforce could be impacted. Additional information on the potential risks to Walmart caused by such policies, and how the company plans to address such risks would be beneficial to shareholders. Therefore, we voted for this resolution.
- **Outcome:** Fail (Dissent Level: 13.9%)

AMAZON.COM: VOTE FOR SHAREHOLDER PROPOSAL (AGM, 25-MAY-22)

- Commission Third-Party Report Assessing Company's Human Rights Due Diligence Process

- **Rationale:** The company says that it prohibits using its services in an unlawful method in its Acceptable Use Policy. Despite the company's assertion that the responsibility for ethical use of surveillance and facial recognition technology lies with the user, the U.N. Guiding Principles on Business and Human Rights make clear that the service provider has responsibility to ensure that its technology is not used in instances likely to cause overall harm or in a way that contravenes international law and human rights. The company does establish guidelines for potential legislation regarding the use of facial recognition technology, including human review, very high confidence score, and transparent use of the technology. However, controversies and questions surrounding the company's facial recognition technology are ongoing, as the company itself states that it will continue providing this technology to law enforcement agencies. Shareholders would benefit from independent verification on how the company is assessing, preventing, mitigating, and remedying adverse human rights impacts resulting from its business operations and end-use of its products and services. Therefore, we voted for this resolution.
- **Outcome:** Fail (Dissent Level: 40.3%)

NIKE: VOTE AGAINST SHAREHOLDER PROPOSAL (AGM; 09-SEP-22)

- Adopt a Policy on China Sourcing

- **Rationale:** While we would encourage any proposal that enhances enforcement and transparency around Nike's human rights policy and labour compliance standards, we believe that this proposal addresses the issue of Xinjiang cotton sourcing through the wrong lens. Suspending all raw material sourcing from the entirety of China is an overreach that we believe is not in the interest of shareholders. Nike's initiatives to drive change in their supply chain and promote responsible manufacturing are well documented and expected to yield results over time. Any strict ban would need to be well calibrated to not unnecessarily impact unrelated business activities within Nike. Therefore, we voted against this resolution.
- **Outcome:** Fail (Dissent Level: 6.3%)

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](#)”.

“We believe there is a need for greater communication and reporting transparency by all stakeholders across the industry and thoroughly support the Financial Reporting Council’s work in Stewardship and Governance.”



Arnaud Cosserat
CEO



For more information, visit:

comgest.com

AMSTERDAM	LONDON
BOSTON	MILAN
BRUSSELS	PARIS
DUBLIN	SINGAPORE
DÜSSELDORF	SYDNEY
HONG KONG	TOKYO

PICTURE CREDITS

© gettyimages

Pages: 2, 16, 49, 50 – © stock.adobe.com

Comgest employee images: © Comgest



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.