

AKO Capital ESG Policy

Purpose

The purpose of this policy document is to explain AKO's approach to integrating ESG risks and value-creation opportunities into its investing decisions.

Overall Investment Approach

AKO is a long-term, patient and responsible investor, taking stakes in high-quality, listed companies with outstanding management. We have a rigorous, proprietary research-driven investment process.

AKO aims to achieve returns that materially outperform the market with lower volatility. We seek to own well-governed companies with sustainable business models. These companies tend to have above average, sustainable growth; pricing power; recurring revenue; strong balance sheets; low capital intensity; and ability to invest counter cyclically, thus accelerating market share gains in a downturn.

AKO has a very long holding period. This is important given our belief that the best outcome is achieved by holding great businesses for the long term.

AKO espouses a strong culture of compliance, risk management and ethics. The AKO partners are significant investors in the funds we manage, which ensures a healthy alignment of interests with the external investors in our funds.

ESG Principles

AKO is committed to maintaining an investment approach that incorporates environmental, social and governance (ESG) matters in a comprehensive manner in order to safeguard the interests of our fund investors. We consider good corporate governance to be a core element of a quality company and acknowledge that a company's ESG practices can directly and indirectly affect its financial performance. As a result, ESG factors are an integral part of our initial evaluation as well as our ongoing monitoring of, and engagement with, portfolio companies.

AKO's approach to integrating ESG into its investing decisions

AKO's investment process relies heavily on the robustness of our proprietary research tools and financial analysis. As long-term investors, part of that research focuses on ESG issues that may impact financial performance. As such, our analysts incorporate the governance of a company and any material social and environmental impact into their fundamental investment analysis. They seek to identify any areas of potential concern and, where appropriate, discuss these concerns with the management of the company, and monitor the progress on these key issues over time. If additional expertise is needed, the investment professionals may utilize external resources as required.

Roles and responsibilities

The Chief Investment Officer ("CIO") of AKO is responsible for both the implementation of the ESG policy and for updating the policy to ensure its continued relevance. The CIO also oversees and reviews any other related corporate governance or responsible investment matters that arise. The rest of the investment team, including Portfolio Managers, Investment Analysts, the Head of Research Process, as well as the Operations Team, are responsible for the day to day implementation of the ESG process.

AKO employs Mr. Henrik Syse in a consultancy capacity to advise on ESG matters. Mr. Syse is a former Head of Corporate Governance for Norges Bank Investment Management, the largest sovereign wealth fund in the world. He also currently serves as a research professor at the Peace Research Institute Oslo, amongst several other roles. Mr. Syse is also a director of the funds managed by AKO.

Engagement and voting during investment

As a long-term investor, AKO seeks to meet regularly with the management teams of portfolio companies in order to understand how they are using their capital and conducting their business. This approach fosters long-term relationships with company management teams, some of which have lasted for more than a decade. This ongoing dialogue enables frank discussion of issues that could affect long-term returns. We engage with the companies in one-on-one meetings, telephone conversations as well as visits to their operations and facilities. During these meetings we may engage with management on a variety of issues, including ESG matters that present a potential material risk or an opportunity for the company. The outcomes of all company engagements are shared across the entire investment team.

If any new significant ESG issue arises, we strive to investigate it as soon as possible. The decision to engage with the company depends on both the materiality of the ESG issue and the size of the holding. When we do engage with a company about an ESG matter, we aim to understand the financial as well as the real economy implications of the issue. We also seek to better understand mitigation strategies and changes to existing processes which might prevent similar issues from occurring in the future. We strive to follow-up on progress in our future engagements.

When we vote as a shareholder, we would normally expect to vote alongside management. However, on rare occasions, we may decide to vote against management on certain issues if we believe it is in the best interests of our fund investors to do so. Such reasons may include, but are not limited to: proposals to materially reduce shareholder rights and or limit the equitable treatment of shareholders; management incentives that are not aligned with shareholders' best interests; reduced board effectiveness or reporting transparency; or long term value-destructive proposals. In these limited cases, we aim to raise concerns with the companies ahead of voting and explain the rationale behind our decision. Voting rights may be exercised either directly by AKO or by giving a proxy to a 3rd party.

Our preference is to engage with companies privately and confidentially in order to facilitate an open dialogue conducive to resolving any potential areas of concern. We may also decide to engage with the members of the board. However, in seeking to act in the best interests of our fund investors, we may from time to time also consider it is better to reduce or exit an investment rather than to continue such a dialogue.

Exclusion List

We seek to ensure that our investments do not contribute to human or labour rights violations, corruption, serious environmental harm or other actions which may be perceived to be unethical. This directly excludes investments in companies which:

- Produce weapons which through normal use violate basic humanitarian principles (anti-personnel mines and cluster weapons), or companies that produce central components for use in weapons of mass destruction;
- Produce tobacco; or
- Produce pornography.

Companies may also be excluded if there is an unacceptable risk that they may contribute to or be responsible for any of the below:

- Serious or systematic violations of human rights;
- Grave violations of individual rights in war or conflict situations;
- Serious violations of basic labour rights;
- Grave harm to the environment;
- Acts or omissions that on an aggregate company level lead to unacceptable greenhouse gas emissions;
- Serious corruption; or
- Other egregious violations of basic ethical norms.

UNPRI

AKO Capital is a signatory of the United Nations-supported Principles for Responsible Investment (UNPRI). The Principles aspire to incorporate ESG issues into investors' analysis and decision-making processes; seek appropriate disclosure on ESG matters from the companies in which we invest; and promote active ownership that incorporates ESG issues into policies and practices. They aspire to promote implementation of the Principles across the investment industry and report on the progress. For more details about the UNPRI and the investment principles please visit: www.unpri.org/.

External Collaborations

AKO Capital supports several external ESG research projects through the **AKO Foundation**. It has made a grant to fund an academic project at the Department of Social Psychology at the London School of Economics (LSE) to research how corporate culture affects companies' long-term success. Corporate governance and social impact are key factors in determining corporate culture and are assessed in the research. The results of this research, which could substantively advance the understanding of corporate culture, will in due course be submitted as papers for publication in the leading academic journals in the field.

More details on this project: **AKO Capital Corporate Culture Project Update**

In addition, in 2015 the Foundation supported a four-part series of reports by the Wharton School examining business ethics from a global perspective. The ultimate goal was to act as an advocate for ethical best practices across industries and to generate the tools that make ethical business practice possible. These reports are distributed by the Wharton School's online business journal, Knowledge@Wharton and are freely available to all interested parties.

- **Curbing Corruption (September 2019)**
- **Special Report on Business Ethics: Business for Peace (May 2019)**
- **Special Report on Business Ethics: Moral Philosophy (January 2018)**
- **Enhancing Corporate Governance (February 2016)**

Conflicts of interest

AKO Capital's goal is to act in the best interests of our investors at all times and so we have a clear policy to identify, manage and eliminate any actual or potential conflicts of interest that may preclude us from achieving our goal. A detailed copy of our Conflicts of Interest policy is available upon request to clients.

As a general rule AKO capital does not allow personal account trading, any outside business interest, inducements or political contributions that give rise to an actual or potential conflict of interest with respect to us acting in our investors' best interests.

Inside information

It is AKO policy that no person should agree to become an insider in relation to the securities of any company. Also, it is AKO policy not to receive market soundings or to be "wall crossed". Our compliance training and written procedures require all AKO personnel to act in a way that seeks to ensure we are not put in the position of being insiders.

Responsible investment UNPRI definition

AKO Capital adopts the UNPRI definition of Responsible Investment. Responsible investment is an approach to investing that aims to incorporate environmental, social and governance (ESG) factors into investment decisions, to better manage risk and generate sustainable, long-term returns.