AKO Capital Sustainability Policy

Purpose and Scope

The purpose of this policy document is to explain AKO's sustainability principles and approach to integrating sustainability risks and opportunities into its investment decisions. This policy applies to all the funds managed by AKO Capital.

Sustainability Principles

In our view, sustainability is concerned with the value a company's business model generates for its stakeholders and any externalities produced by its operations and products. We consider companies with long-term approaches to relationships with their material stakeholders as better placed for future success. Conversely, if a company's success relies on negative social or environmental externalities, it creates hidden liabilities and risks that may adversely affect long-term prospects.

Our Approach to Sustainability Integration

At AKO Capital, we aim to deliver strong risk-adjusted returns over the long term by investing in quality companies. Our philosophy means that we see sustainability as a core characteristic of what makes a quality company.

Whilst we expect quality companies to be sustainable, we do not necessarily consider all sustainable companies to show the key financial characteristics of a quality investment. We therefore systematically apply our quality investment philosophy and rigorous research process to assess the financial profile as a precursor to deep sustainability analysis. Quality companies have high returns on invested capital, strong and consistent cash flow, solid balance sheets, tend to grow faster than the economy or their peers and are usually led by high-quality management teams with strong corporate governance. We invest only where we can understand the sustainability of the business model, and we think that sustainability factors need to be analysed from the perspective of their impact on the attractiveness of the business model.

Sustainability Research Framework

The investment analyst, with the support of the sustainability team, carries out a thorough analysis of a company's business model and the related sustainability risks and opportunities. We also carry out detailed governance analysis with an assessment of minority shareholders' rights, board oversight, and executive compensation based on AKO's proprietary methodology. A description of our framework is available on request.

We seek companies with durable competitive advantages and assess how sustainability risks and opportunities may strengthen or weaken those positions. We tend to avoid companies with significant sustainability risks that we consider likely to materialise due to changes in regulation or scrutiny. This pertains to all companies that contribute to human or labour rights violations, corruption, serious environmental harm or carry out highly unethical actions.

Many companies exist in between the extreme ends of the spectrum, which we have a duty to consider as potential investment opportunities. When a business has high-quality financial characteristics but its sustainability risks outweigh opportunities or are unavoidable, for instance when there is no alternative to an industry or process, we make a case-by-case judgement on materiality and how the company fares across a few criteria:

- Is the company best-in-class versus peers or well positioned to lead the industry transition in the future?
- Does the business have strong sustainability risk management and governance with clear disclosure of targets and how progress is being measured?
- Can we monitor progress on the sustainability risk factors, and do we expect to see a verifiable improvement trend?
- Is the management willing to engage in open and frank dialogue with investors and are they receptive to feedback?

Industry examples according to the criteria we use to assess the sustainability of a business model:

- Healthcare: Selected companies in the industry can generate material positive present and future outcomes for society. Net opportunities can clearly outweigh potential risks like regulation, especially when companies offer a fair deal to their stakeholders and help advance inclusion and product accessibility.
- Airlines: On balance, at an industry level, the sustainability risks outweigh opportunities. The path to decarbonisation is uncertain due to lack of scalable technology, and the cost of GHG emissions is a growing financial burden due to taxation regimes. However, we do not expect customers to change their behaviour. The best-in-class operators have efficiency advantages over their competition, allowing them more easily to internalise costs associated with emissions. This accelerates their leadership positions and gives them the opportunity to lead the industry transition to a more sustainable model longer term.
- Tobacco: The risks for manufacturers are very material and significantly outweigh any potential opportunities. The industry generates net negative outcomes for society, resulting in an increasingly tough regulatory environment, making them non-investable under our framework.

Engagement

As a long-term investor, we seek to regularly engage with the management teams of portfolio companies, including on specific sustainability and governance issues, 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 also take action on matters through voting. Please refer to our Shareholder Engagement Policy for more details.

Roles and Responsibilities

The Chief Investment Officer (CIO) of AKO is responsible for the implementation of the Sustainability Policy and for updating the policy to ensure its continued relevance. The CIO 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 Sustainability Team, the Head of Research Process, as well as the Operations Team, are responsible for the day-to-day implementation of the sustainability policy.

Commitments

Net Zero

At AKO Capital, we consider carbon emissions to be a potential long-term financial risk for many companies and therefore encourage our portfolio companies to align themselves with the goal of keeping the global increase in temperature well below 2°C by 2050 as proposed by the Paris Agreement. By 2030, we aspire to invest a significant proportion of our capital in companies with Net Zero commitments or targets, preferably verified by the SBTi. We continue to engage on transparent climate impact reporting, progress along the carbon emissions reduction pathways of our portfolio, and risks and opportunities associated with decarbonisation. In recognition of the fact that a substantial part of decarbonisation post 2030 depends on technologies that are not yet fully developed, scalable or economically viable, we will reassess our Net Zero strategy on an ongoing basis. As of 31 December 2025, 84% of AKO Capital's investment portfolio is invested in companies with Net Zero targets or commitments as defined by the SBTi with a further 2% invested in companies with unverified net zero targets.

UNPRI

AKO Capital has been a signatory of the United Nations-supported Principles for Responsible Investment (UNPRI) since 2018. The Principles aspire to incorporate sustainability issues into investors' analysis and decision-making processes; seek appropriate disclosure on sustainability matters from the companies in which we invest; and promote active ownership that incorporates sustainability issues into policies and practices. They aspire to promote implementation of the Principles across the investment industry and report on the progress.

B Corp

AKO Capital became a Certified B Corporation™ in January 2021. B Corps™ are for-profit companies that use the power of business to build a more inclusive and sustainable economy. It requires a company to balance its pursuit of profit with a deeper social purpose, as validated by a rigorous, independent assessment of the company's impact on its workers, customers, community, and the environment every three years. Please see AKO's B Impact Assessment and our latest Impact Report.

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 and manage 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 may 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's default position that personnel should not agree to become insiders in relation to the securities of any company. Similarly, AKO's default position is not to receive market soundings or to be "wall crossed", except where this is approved in advance by Compliance, which acts as a gatekeeper for the process. Our compliance training and written procedures require all AKO personnel to act in a way that seeks to ensure we are not inadvertently put in the position of being insiders.