



# 2022 ESG Report

# Introduction

As a global investment manager, we are attuned to the evolving developments and regulations that may impact various markets and our clients. Recently, diverging ESG sentiment among states has drawn much attention and conversation in the U.S. In our view, we could assign any term or remove the acronym altogether without changing the nature of the business issues that we believe are critical to understanding a company's risks, opportunities, and the potential for achieving long-term growth. We aim to generate attractive, long-term, risk-adjusted returns for our clients through investing only in businesses that we believe are delivering strong results for the key stakeholders they serve.

We issue our annual ESG report to share our approach to ESG integration within our research analysis and investment decision-making, bringing it to life with company examples across our equity and credit strategies. We also highlight recent progress and ongoing initiatives, including our UCITS funds SFDR Article 8 classification efforts. In addition, we cover why our holistic ESG approach deepens our understanding of how a company creates sustainable value for its key stakeholders over time, which we believe positions a company for favorable outcomes.

The report features examples of company engagements we have completed that we believe highlight our commitment to improving our understanding of, and sharing feedback we might have around, various issues that can help inform how well positioned a company is to amplify the value its stakeholders seek and mitigate the adverse impacts of its business that its stakeholders see.

Finally, we provide summary details of our proxy voting activities and include our Task Force on Climate-Related Financial Disclosure (TCFD) reporting.

For further information on how Polen Capital follows the same stakeholder-centric approach in our own business activities, please see our [2022 Sustainability Report](#).

Thank you for your interest, and as always, we welcome your feedback and an opportunity to have a conversation.



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## About Polen Capital

Polen Capital is a global investment manager delivering active, high-conviction equity and high yield strategies to a wide range of clients. For more than three decades, Polen Capital has been dedicated to serving investors to provide financial security and peace of mind to the people and organizations that make up the fabric of our society. The investors we serve are the reason we go beyond what is expected because we know how important it is to help deliver a secure financial future to people who have given us their trust.

We are passionate about our mission to protect and grow client assets while identifying attractive investment opportunities in what we view as durable, competitively advantaged businesses. We adhere to a time-tested process of rigorously researching and carefully selecting the companies we hold in our concentrated portfolios. We aim to deliver distinctive, high-conviction growth and income solutions, following these guiding principles:

1. We invest for the long term with patience and discipline, harnessing the power of compounding.
2. We construct highly selective, active portfolios driven by rigorous, bottom-up fundamental research.
3. We invest with a margin of safety, seeking to deliver lower volatility and enhanced downside protection over time.
4. We integrate ESG through a total stakeholder approach.

## Polen Capital ESG Approach

At Polen Capital, ESG represents a holistic assessment of a company's ability to deliver at high levels for the key stakeholders it was built to serve, today and into the future.

**Our research focuses on identifying and analyzing business issues that we believe are material to the long-term interests of a company's stakeholders, including employees, customers, supply chain and other business partners, shareholders, communities, and the environment. We believe a company's ability to understand its key stakeholders and the value they seek, along with its effectiveness in amplifying that value and mitigating the issues stakeholders see, provides the clearest path to financial sustainability.**

In turn, financial sustainability can allow a company to further improve its product and services, attract and retain more talented employees, help strengthen local communities, and gain access to capital from investors who generally seek attractive, risk-adjusted returns.



## Our Commitment to ESG Integration

The direct responsibility for ESG integration resides with each investment team member, since ESG issues are an embedded part of our holistic research process. Our investment teams focus on the material business issues that can provide us with an understanding of a company's business model, its value proposition, the sustainability of its competitive advantages, its risks, opportunities, and its financial strength.

Our internal governance structure provides oversight and strategic direction for our ESG practices across multiple layers, from our CEO and Advisory Board to our Risk & Compliance Committee, Operating Committee, and ESG Committee, which meets monthly to help guide our ESG-related initiatives.

### ESG Governance



## Equity ESG Integration Process

We integrate material ESG issues into our comprehensive, bottom-up, fundamental research and assessment of a company's risks and opportunities, taking a long-term view consistent with our investment philosophy. Our ESG approach involves a thorough understanding of a business's stakeholders, its value proposition to these stakeholders, its competitive advantages, market opportunity, financial strength, ongoing strategic and operational initiatives, and its governance structures. We assess each business factor we believe is material, which includes issues commonly classified as both financial and ESG-related, as we see these factors as inextricably linked.

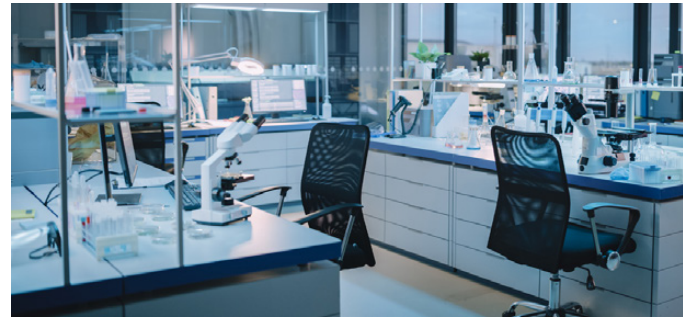
Our ESG framework currently includes 50+ business issues we believe are important to assess to determine whether a company is well positioned to deliver effectively for the stakeholders it was built to serve. In developing our framework, we have mapped out these business issues and organized them under the pillars of environmental, social, or governance. We recently developed an in-house, proprietary application to enhance the organization and documentation of our research efforts across the business issues we study. Work is underway to populate the application with relevant facts and summarized analyst views on how a company is performing across our ESG framework, enabling us to track a company's progress over time. The tool will enable each investment team member to access information from a centralized source across these issues.

### Example of business issues studied and documented within our proprietary application

Environmental		Social		Governance	
Completed: 8 / 8		Completed: 26 / 26		Completed: 18 / 18	
Category	Factor Name				
Environmental	Climate change initiatives				
Environmental	Environmental impacts of products and services				
Social	Ability to attract, develop and retain employees				
Social	Overall product/service quality				
Social	Ongoing initiatives that can amplify value / mitigate risk				
Governance	Quality and depth of management				
Governance	Executive compensation practices				
Governance	Shareholder rights				

The following are several portfolio company summaries illustrating our stakeholder-centric approach within our equity strategies.

## Large Company Growth - Thermo Fisher Scientific



Thermo Fisher Scientific (Thermo) is a leading solutions provider to the life sciences industry, providing technologies and tools to help these companies operate and drive science forward, to fulfill their mission to "enable their customers to make the world healthier, cleaner, and safer." We believe the company is an attractive and durable business that delivers significant value across its key stakeholder groups. We initiated a position in the Focus Growth and Global Growth portfolios in 2022.

For its more than 400,000 customers working in pharmaceutical and biotech companies, hospitals and clinical diagnostic labs, universities, research institutions, and government agencies, Thermo is a trusted, embedded, strategic partner in a highly regulated and complex space. Thermo's solutions help their customers discover new therapies and medicines, protect the environment, make sure food is safe, and advance science through thousands of other bold projects that improve millions of lives. Their scale, breadth of solutions, and on-site, constant touchpoint businesses enable them to have C-suite-level conversations that peers typically cannot match. With approximately 7,000 scientists and 22,000 active patents, Thermo spends approximately \$1.5 billion on research and development annually in an effort to innovate and better serve their customers.

As for employees, Thermo boasts a growing global team of more than 100,000. Thermo offers a comprehensive total rewards compensation package that the company regularly evaluates and measures against established benchmarks to ensure its effectiveness in recruiting and retaining talent and to position Thermo as an employer of choice. Thermo offers formal and self-paced training, networking opportunities, on-the-job stretch learning, coaching, mentoring, and manager training utilizing contemporary technology solutions to support the broad development needs of their workforce. The commitment to fostering a culture that values diversity and inclusion further enhances their recruiting and retention efforts.

We believe the company is uniquely positioned to play a role in advancing global health equity. Joining forces with customers and communities, Thermo leverages its capabilities to help remove

obstacles to healthcare in line with its mission and commitment to serving science and society. With harmonized and equitable pricing strategies, Thermo has supported over 100 low- and middle-income countries and global health partners that otherwise lacked access to affordable diagnostic testing at scale. During the pandemic, Thermo became one of the largest suppliers of qPCR COVID-19 diagnostics to low- and middle-income countries.

Thermo Fisher promotes zero waste and diverts at least 90% of nonhazardous Thermo waste from landfills and waste-to-energy facilities. Teams focus on reuse, recycle, and compost disposal strategies. Further, packaging design is integral to ensuring the quality, performance, and economics of products and minimizing the environmental impact. The goal is to design packaging and transport solutions that preserve product integrity while maximizing freight density and therefore less fuel usage. Whether redesigning the packaging of individual components within kits, reducing the use of dry ice and other cold shipping methods, or transitioning to readily recyclable shipping materials, Thermo is reducing the environmental impact and helping customers meet their climate and waste goals.

### Small Company Growth - Warby Parker



Warby Parker is an eyewear retailer with a customer-centric, omnichannel business model. The company offers prescription and nonprescription eyeglasses, sunglasses, contacts, and optical services via in-house opticians, online as well as through a network of company-operated stores in the U.S. and Canada. Warby Parker has a vertically integrated direct-to-consumer business model that reduces cost and customer friction. It is a disruptor in a market notoriously dominated by a large monopolistic player that has been slow to meet changing consumer demands. Warby Parker is a certified B Corp and public benefit corporation, meaning it voluntarily must meet high standards of social and environmental performance, accountancy, and transparency.

We consider Warby Parker a business that delivers value across its key stakeholder groups and hold the company in our U.S. Small and U.S. SMID Company Growth strategies.

Warby Parker differentiates itself from competitors by making the purchase of eyewear easier in terms of convenience and price. Its model leverages e-commerce and at-home try-ons, allowing customers to shop for eyewear from home. Eye exams and eyewear can be expensive, but Warby Parker makes both accessible to customers by providing products and services at reasonable prices. To help those who cannot afford to buy eyewear, Warby Parker has donated and distributed over ten million pairs of glasses through its "Buy a Pair, Give a Pair" program. Warby works alongside private organizations and local government agencies to identify and prioritize communities with high levels of unmet need for vision care and eyeglasses.

Warby Parker has a mission-driven culture. It has succeeded in creating a work environment where employees are empowered to innovate and encouraged to engage with their community. The company provides competitive and modern benefits to its employees, including teletherapy and a wellness stipend that supports mental, physical, and emotional well-being. Additionally, Warby Parker offers learning and development initiatives, including an Extended Experience program for full-time Retail, Customer Experience, and Lab employees with a development opportunity to work on a wide range of projects across the company, to build skills outside of current job responsibilities. Warby Parker offers a manager development program that equips managers with fundamental skills to build, develop, and retain high-performing teams and explore concepts related to diversity, identity, equity, and inclusion. Warby Parker offers each of its 3,000 employees 16 hours of paid leave a year to use towards volunteer work.

Warby Parker is carbon neutral across its operations. The business works actively to reduce its environmental impact and in 2022 made a shift from recyclable content to biodegradable packaging for eyeglass frames. The company also embarked in a partnership with Eastman Kodak to develop a process to break down demo lenses, resulting in the avoidance of 20,000 pounds of single-use plastic to landfill. Direct and key indirect suppliers of Warby Parker are screened through the Warby Parker Social Compliance Program and must maintain a score of Good or higher across three categories of Management System, Labor, and Environmental Health and Safety. The business works closely with its partners to ensure adherence to its quality and safety standards.

### Global Emerging Market Growth – Mercado Libre

Mercado Libre ("MELI") is the largest online commerce and payments platform in Latin America, enabling e-commerce and digital and mobile payments on behalf of customers through its suite of technology solutions. The company's purpose is to democratize digital commerce and promote financial inclusion, levelling the playing field between large companies, small businesses, and entrepreneurial individuals.

We have owned a position in MELI in the Global Emerging Markets Growth strategy since its launch at the start of 2020 and believe the company is one of the highest-quality businesses in the emerging market universe.

MELI's platform hosts over 96M unique active users, of which there are approximately 46M buyers, more than 4M sellers, and 44M users of its financial solutions. The size of the MELI platform and range of payment methods offered is a unique value proposition for consumers where it can be a "one-stop-shop" for e-commerce purchases offering convenience through the widest assortment, most competitive pricing, and fastest shipping. To ensure the latter, MELI has invested in developing its own logistics network which fulfills 94% of deliveries, more than half of which are completed on the same or next day. Buyer protection, customer support, and anti-counterfeit alliances help ensure a positive shopping experience for consumers.

In 2022, MELI expanded its workforce, which includes technology and product, logistics, and customer support, by over 30% to 40,000 strong. The company's practices earned it 6th place in a Best Places Latin America ranking in 2022.<sup>1</sup> Based on a survey result conducted by Comparably, MELI offers competitive compensation, especially relative to median salaries in much of Latin America.<sup>2</sup> We observe that MELI pays special attention to occupational health for its over 15,000 logistics workers and has local occupational safety providers to carry out relevant checks and provide medical assistance to the teams in every country.

Through its range of services, MELI helps foster financial inclusion and economic prosperity in Latin American communities. It has a range of accessible financial resources for individuals who do not have an account in the traditional banking system, in the form of payment and collection, loans, and investment solutions. The platform often offers the first opportunity for access to financial services that its customers experience, in a region where 70% of the population is either unbanked or underbanked, and 58% of point-of-sale purchases are still made in cash.<sup>3</sup> For example, 686,000 small merchants received their first-ever credit offer through MercadoPago in 2022. The company supports its inclusion commitment through educational programs to further increase financial literacy and empower its customers with a focus on young people and women entrepreneurs. Additionally, through its e-commerce platform, 900,000 families report that their selling activities on MELI's platform provide their main source of income.

## MELI demonstrates its commitment to minimizing its environmental impact through numerous initiatives focused on renewable energy consumption, sustainable mobility, circularity of materials, and conservation.

The proportion of its energy consumption coming from renewable sources has increased tenfold in two years from 3% in 2020 to 30% in 2022. MELI continues to expand its fleet of electric vehicles, from 66 in 2020 to 797 in 2022, and is investing in sustainable fuel options. The company has already reached its goal to ensure 100% of its packaging is recyclable, reusable, or compostable, and pilot projects currently underway are testing packaging that reduces waste and transportation fuel usage.

## Credit ESG Integration Process

At Polen Capital, our credit and equity teams share a congruent approach to ESG, which involves an understanding of a company's relationships with its key stakeholders. The assessment of material ESG-related business issues is embedded in our credit team's internal analysis as part of their holistic process designed to understand a company's current and future business prospects. We believe this approach provides a deeper insight into critical risk factors, including exogenous factors not typically exposed in a traditional business analysis model, which ultimately results in sounder investment decisions on behalf of our clients. Furthermore, ESG integration within the investment process does not occur only when evaluating new investment opportunities: rather, we monitor existing positions on an ongoing basis.

Our credit team seeks to identify material factors that may contribute to financial downside. These may include significant event risks that can negatively affect an issuer's creditworthiness and therefore its ability to meet its ongoing fixed income principal and interest obligations. We also assess whether market pricing adequately reflects those risks with respect to any proposed investment. Our investment team integrates various ESG considerations, such as transparency in corporate governance, the existence of an independent and experienced board of directors, a commitment to environmental protection, and a track record of product safety, into the bottom-up fundamental analysis of each fixed income investment opportunity.

1 Best Workplaces in Latin America™ 2022 | Great Place To Work®

2 <https://www.comparably.com/companies/mercadolibre/salaries>

3 <https://www.forbes.com/sites/patriciakemp/2022/07/18/fintech-is-driving-financial-inclusion-in-latin-america/>



If the research analyst, in consultation with the portfolio manager, believes that an identified factor will have a material positive or negative impact on the business that may disproportionately change the risk/reward profile of an investment, the team will factor that assessment into our investment decision-making process.

Supplemental to the investment team's work, we leverage ESG ratings and research provided by MSCI. MSCI rating changes are communicated and reviewed by the investment team on a monthly basis. Notably, given the limited third-party coverage of private high yield debt issuers, we also assign an internal ESG rating for holdings that are not rated by MSCI.

Our analysts generate these ratings by using MSCI's industry-wide ESG reports together with comparable company analysis, as well as their own business judgment, to determine the critical ESG factors that influence the risk profile of each unrated company.

The following summary of AMN Healthcare showcases the credit team's research and stakeholder approach.

### Credit - AMN Healthcare



AMN Healthcare Services, Inc. (AMN) offers a range of services to help healthcare operators solve their workforce challenges. The Company's largest business segment provides temporary nurse staffing (or "travel nursing") solutions for healthcare facilities like hospitals and nursing homes. AMN is the market leader in the U.S. travel nursing industry. The company also provides temporary physician staffing solutions and a range of other services such as executive recruiting and language interpretation. The company deployed about 136,000 healthcare professionals to thousands of clients in 2022. AMN Healthcare has outlined its ESG Goals and Commitments into 4 Pillars: Health; Diversity, Equity, and Inclusion (DEI); Sustainability; and Governance.

AMN is focused on advancing health and wellness for its team members, healthcare professionals, and their communities. The company actively works to expand the typical services provided to employees. During the pandemic, AMN established a hardship fund to support employees who fell into financial hardship, and support for this program continues. Through AMN's Telehealth and Virtual Care Solutions, clients can access remote care in a timely and more convenient manner. These services also enable schools to offer speech, physical, and occupational therapy, as well as mental and behavioral health support to students through a remote specialist. And lastly, in 2022, AMN helped over 10 million patients with language and interpretation services, which enables access, improves health outcomes, and expands health equity.

AMN is committed to seeking diverse perspectives to build an organization and society where equality is the norm. The company is committed to working with diverse suppliers, and in 2022 spent over \$475M with diverse suppliers including women-owned, minority-owned, veteran-owned, and disabled-owned. Two-thirds of AMN's team members are female, and 45% come from historically underrepresented communities. The company has 10 employee resource groups and invested \$1.1M in nonprofits and initiatives that drive DEI priorities in 2022. AMN offers a competitive and comprehensive benefits package to their employees and benchmarks their offerings to remain competitive amongst peers.

AMN has committed to Net Zero climate impact in direct operations by 2024, as measured by Scope 1 and 2 Greenhouse Gas Emissions, and set science-based targets for Scope 3, reflecting all other indirect emissions that happen throughout the value chain. The company works with sustainability specialists to pursue a zero waste-to-landfill approach for real estate reduction projects and manage proper disposal and/or donate materials that may be useful to others. AMN leverages behavioral design and education to drive sustainability and encourages team members and stakeholders to make sustainable decisions.

AMN strives to integrate effective governance throughout the organization and instill a strong, ethical culture. Independent oversight and intentional board diversity are critical as well as board succession and transparency. In 2022, AMN's board of directors has 56% female board representation with eight out of nine board members being independent. The company also has stringent data privacy protection across all business lines.

AMN takes a multi-stakeholder approach to managing ESG risks and opportunities. It works to embed ESG into existing business practices and collaborate with clients, suppliers, and industry partners to drive collective change throughout the communities in which the company operates.

## Equity Active Ownership

### Engagement

As fundamental investors who think like business owners of the companies in which we invest, ongoing monitoring and engagement with company management across the business issues we study is a notable aspect of our research process. Our long-term mindset and emphasis on making substantial investments in the relatively few businesses that we believe exist at any given time that can deliver at high levels across the issues we study generally resonates with company management teams and helps foster productive discussions.

We typically engage with a company's management on a variety of topics to gain a deeper understanding of a company's strengths and weaknesses, better assess how a company is delivering on behalf of its key stakeholders, and allow us to express our views as appropriate. These discussions can cover many commonly defined ESG factors, as well as other issues we believe are material. We believe engagement can be useful in assessing the performance and suitability of management teams. While we do not typically seek to change the strategy or beliefs of investee management teams, there are situations where we find engagements useful to express differing viewpoints. We may engage with companies as part of our ongoing review of the principal adverse impacts defined under SFDR or based on other negative consequences of the business we believe have surfaced, in each case as we see necessary.

The entire investment team is responsible for continuously monitoring companies and holdings to ensure they remain appropriate for investment based on our investment philosophy and ESG approach. Meetings are typically held with companies to clarify specific results, discuss events, or discuss other topics such as corporate strategy, financial performance, risk management, corporate governance, executive compensation, capital structure, and other research initiatives.

Below we share engagement examples within our equity strategies.

### Large Company Growth – Abbott Laboratories

Abbott Laboratories is a globally diversified healthcare company that provides medicines, nutritional products, and technologies that help people improve and manage their health. The company has long been a leader in the healthcare industry, serving its customers for over 125 years.

We had a call with Investor Relations at Abbott in April 2022 to better understand how the company was addressing reports that their infant nutrition formula had been contaminated and caused infants to become ill.



Abbott initiated a voluntary recall of certain infant formula products including the leading infant nutrition brand in the U.S. and many international markets, Similac, after reports of consumer complaints of infant illness. Abbott quickly responded with a voluntary recall, before responding to the suggestion of the U.S. Food and Drug Administration (FDA) that Similac produced from a specific Abbott facility may have been contaminated.

It is standard practice for Abbott to retain in-house samples of their infant formula shipped to customers. According to the company, testing of these samples came back negative for the presence of the bacteria that caused the reported illnesses. However, certain bacteria were found in the non-product areas of the manufacturing facility where it was suspected the infant formula was contaminated. Ultimately, the FDA and U.S. Centers for Disease Control and Prevention (CDC) found no genetic match between the strains of bacteria identified in the non-product areas of the facility and the strains of bacteria from the product samples, suggesting a different source of contamination.

Nonetheless, Abbott recognized areas of improvement and made corrective actions and enhancements to product quality control. Production at all of its infant nutrition facilities has now resumed. Despite these issues, we believe Abbott demonstrated a willingness to acknowledge and correct prior missteps, and it seems the product quality system at Abbott is working as intended. Similac remains a strong infant nutrition brand, and Abbott has already regained approximately 50% of the market share lost in the recall. We are pleased with Abbott's efforts to expeditiously strengthen its product quality standards, minimize brand damage, and, most importantly, keep its customers healthy and happy.

### Small Company Growth – Five Below

Five Below is a specialty value retailer that offers trend-right, quality products to its core customer group of teens and tweens. The business is aptly named because it sells products for \$5 or below, although Five Below now offers products above \$5 through its highly successful Five Beyond strategy.

The business sells an assortment of products ranging from toys, games, arts and crafts, electronics, beauty, and party supplies primarily through its conveniently located stores. To ensure a quality experience for the Five Below customer, the management of the company has been strategic about ensuring that the store employees, including managers, are well compensated and incentivized. The result has been a culture of quality customer service and the business has been successful at attracting competent and competitive talent.

In April 2022, we reached out to the business to gain a better understanding of their competitive advantages with regard to their real estate strategy. This included their store rollout plans and employee matters around wages, opportunities for promotion, and the firm's culture.

We were particularly interested in understanding how store employees, an important and value-creating group of Five Below stakeholders, were motivated, incentivized, and supported by the business.

We learned that store managers are rewarded with a bonus incentive program. The managers get paid quarterly based on sales results. This performance-based compensation is an effective way to motivate employees. The store manager is responsible for hiring a team of associates. The store team interacts a lot with the fickle and impressionable customers, which means that team morale is especially important in each store. Because the store manager's compensation is tied to the store's performance, the manager is thus incentivized to hire an individual that will deliver great customer service and create a fun environment and experience for the customers.

We also learned that Five Below provides opportunities for internal promotions. These opportunities for advancements further help Five Below retain top-performing talent. Aside from creating a fun environment and offering great customer service, Five Below store associates and managers will need to keep attuned to what customers want, whether the store already sells that product or not. The store teams often relay this information to help inform the product strategy and merchandising teams of the ever-evolving tastes of their customers.

Five Below's deliberate efforts to attract, retain, and incentivize its top-performing employees by rewarding top-performing employees and aligning their compensation to the company's success benefits investors and other stakeholders. Many retailers are on the decline, especially brick-and-mortar stores. However, Five Below continues to thrive because of management's immaculate execution of the company vision, in our view.

Their thoughtfulness is evident in how they implement initiatives that continue to strengthen the company's value proposition beyond just store location convenience and product assortment to include great customer service and a consistently fun environment for kids.

## Global Emerging Markets - Autohome

Autohome is the dominant online automotive classifieds platform in China. It connects auto manufacturers and new and used car dealers with more than 50M daily active users of its website and mobile app. It sells advertising, user insights and data analysis, and sales leads to its manufacturer and dealer customer base that benefits from its large, high-intent pool of consumers.

These consumers are attracted to the platform by Autohome's wide assortment of inventory, dealer competition thanks to price discovery, and sizeable database of auto-related content covering the entire car purchase and ownership cycle. Through its website and mobile app, it also provides other value-added services, including auto financing, insurance, and aftermarket services.

The business generates significant amounts of free cash flow annually, totalling approximately \$500M, and sits on a substantial amount of net cash on its balance sheet, amounting to approximately \$3B. Excluding the net cash balance, the company has a total enterprise value of approximately \$830M as of December 31, 2022, remarkably equivalent to around just twice its annual free cash flow. We have had two calls with management, the first in June 2021 and the second a year later in June 2022, to discuss capital allocation and how management could unlock significant value by returning this excess cash to shareholders, either in the form of dividends or share buybacks.

In response to the repeated calls from the market and us to put this cash to better use, Autohome's management implemented a \$200M share repurchase program in November 2021 and made the decision to extend that for another year in November 2022. Additionally, in February 2023, the Board announced that the company would begin to pay a fixed amount of no less than RMB 500M (approximately USD 70M) in annual dividends until 2026.

We would argue that these measures of returning cash to shareholders do not go far enough, given that in total they amount to the equivalent of just one year's free cash flow. However, they reflect a positive step in the right direction towards improving our holding's capital allocation and realizing the immense amount of the business's latent value. We expect to continue constructively engaging with management on this topic.

## Proxy Voting (Equity Strategies)

Each year we participate in our equity portfolio companies' annual general meetings by voting proxies on important business decisions, such as the election of board directors, the approval of executive compensation, and an array of shareholder proposals. We believe proxy voting is a powerful tool that allows us the opportunity to directly influence corporate policy in pursuit of maximizing stakeholder value. We approach this duty with care and diligence.

Our equity investment team members undertake close review and consideration of all proxy votes for governance resolutions and shareholder proposal topics. Our proxy voting is based on our investment philosophy, approach, and principles. We generally take each proxy ballot issue for each company on a case-by-case basis, taking in the context of the company, its positioning, its end markets, recent developments, and other factors when voting.

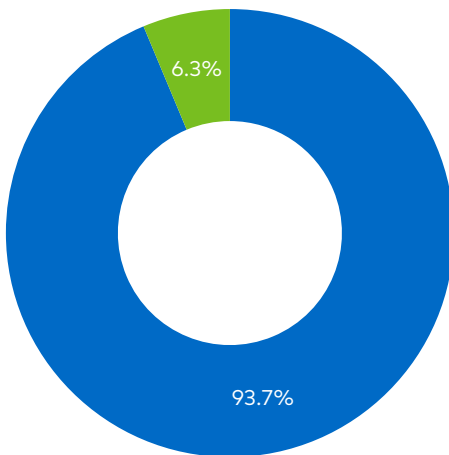
There are generally certain common proxy ballot issues where we have identified a best corporate practice and vote proxies accordingly including voting proxies in favor of a one share, one vote share-class structure.

We utilize a third-party service provider, Institutional Shareholder Services (ISS), for research and recommendations on proxy issues. We use ISS's Sustainability Voting Guidelines, which support positive corporate ESG actions that promote practices that present new opportunities or mitigate related financial and reputational risks.

In voting proxies, the equity teams will consult ISS's Sustainability Voting Guidelines but will make an independent decision for each vote.

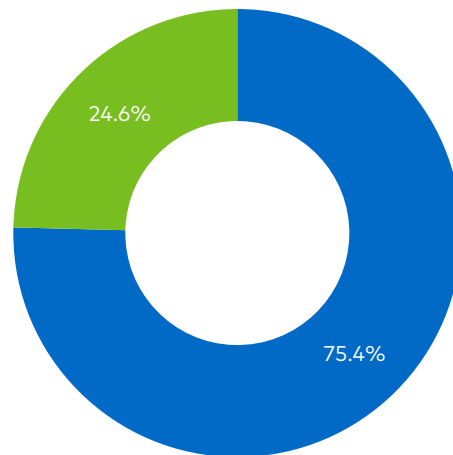
### All Votes

For Management	93.7%
Against Management	6.3%



### Shareholder Proposals

For Management	75.4%
Against Management	24.6%



Proxy information by strategy is available upon request.

## Credit Engagement

Polen Capital believes that issuer engagement as a debt holder tends to be more indirect when compared to that of an equity owner. However, opportunities to actively engage as a fixed income investor do arise, especially with respect to events such as new debt issuances and corporate restructurings. In such circumstances, we, on behalf of our client accounts, may have incremental leverage to influence an issuer with respect to environmental, governance, and reporting issues. Our active approach to fixed income investing generally includes frequent interaction with company management, and we seek to keep an open line of communication regarding actions that could negatively impact the value of the fixed income investment made on behalf of our clients.

Our credit team's engagement efforts are selected based on the materiality of the issue at hand combined with our ability to engage (e.g., amount of financial leverage, relationship with management, etc.). We set predefined objectives when seeking to engage with an issuer. The investment team determines these objectives based on the facts and circumstances surrounding each engagement and have historically spanned across the ESG spectrum. Our analysts typically conduct the engagement on behalf of the team; however, depending on the specific issue (i.e., corporate restructuring), our portfolio managers and legal counsel may also be involved as well.

Our investment team also identifies inconsistencies between the research on certain companies provided by our third-party ESG research provider and our own evaluation of those companies as part of our fundamental analysis. In such cases, we have initiated discussions with the issuers and our third-party ESG research provider in an effort to improve the quality of the ESG research produced. We also encourage our portfolio companies to improve and expand their ESG disclosures.

### Credit – Baffinland Iron Ore Mines

Baffinland Iron Ore Mines ("Baffinland") is an iron ore mining company based in Baffin Island in Nunavut, Canada. The company owns one of the largest and deepest reserves of high-quality iron ore in the world. The Company's naturally occurring lump product, along with high iron ore grades, makes it the producer of the world's highest-grade direct shipping ore.

We see multiple sources of value in the business and believe its product commands a premium in the market due to its inherent qualities. Additionally, the ores, with their higher grades and lower waste components, are also an essential part of the decarbonization of the steel supply chain, as their presence reduces the quantum of coal and other carbon by-products needed to produce steel.



Baffinland continues to undertake efforts to expand its production capacity, which involves working with local communities as well as the federal government of Canada. Our team engaged with the Board and C-level executives to push for alternate methodologies, such as higher compensation, firmer hiring commitments, increased financial support of the local communities, all of which we believe would build local support and enable a compromise to be reached.

The company continued and perhaps slightly altered its negotiating path as the process went on, but ultimately it was not successful in receiving local and federal government support for the expansion. As such, Baffinland is now pursuing a different path, which may end up helping the company achieve its end goals.

## Sustainable Finance Disclosure Regulation (SFDR)

The E.U. Sustainable Finance Disclosure Regulation (SFDR) was introduced by the European Commission as part of a package of legislative measures arising from the E.U. Sustainable Finance Action Plan. The SFDR imposes mandatory ESG disclosure obligations for asset managers and other financial market participants operating in the E.U. to raise the transparency of a fund's sustainability considerations. Under the SFDR, funds must classify as Article 6, Article 8, or Article 9, depending on the level or objective of sustainability in the investment process.

The following funds are currently classified as Article 8, the designation for funds that promote environmental and/or social characteristics and invest in companies that follow good governance practices.

### Polen Capital Article 8 Funds

- Polen Capital Focus U.S. Growth Fund (UCITS)
- Polen Capital International Growth Fund (UCITS)
- Polen Capital U.S. Small Company Growth Fund (UCITS)

- Polen Capital Global SMID Company Growth Fund (UCITS)
- Polen Capital Global Emerging Markets Growth Fund (UCITS)
- Polen Capital Emerging Markets ex-China Growth Fund (UCITS)
- Polen Capital Asia ex-Japan Growth Fund (UCITS) (as of March 2023)
- Polen Capital Opportunistic High Yield Fund (ICAV)

Additional information is available on our website under each strategy, for example: [Polen-Capital-Investment-Funds-PLC-Supplement-Focus-US-Growth-Fund.pdf](#) ([polencapital.com](#))

### Sub-Advised Article 8 Funds

- Amundi Funds Polen Capital Global Growth
- iMGP US Small and Mid Company Growth
- iMGP US High Yield

### Task Force on Climate-Related Financial Disclosures (TCFD)

The Task Force on Climate-Related Financial Disclosures (TCFD), born out of the Financial Stability Board to review how the financial sector can consider climate-related issues, provides a framework for disclosing governance, strategy, risk management, and metrics related to climate change across industries.

Polen Capital supports the availability of consistent and decision-useful disclosures on material issues, and we became a supporter of the TCFD in 2020. We are also a Capital Markets Signatory of the CDP (previously known as Carbon Disclosure Project), a global disclosure system for reporting environmental impacts. In support of accessible climate-related disclosure, we also supported the PRI Signatory letter organized by the Principles for Responsible Investment as part of the SEC's request for public comment on climate disclosures in 2021. The following are our disclosures aligned with the TCFD recommendations, where applicable.

### Governance

Each investment team member is involved in the research and monitoring of our portfolio companies, including an assessment of the climate-related risks and opportunities material to each business. Additionally, certain members of the investment team also have direct sustainable investing leadership roles that help better organize the investment team's efforts in this area.

Further governance is provided by the Risk & Compliance Committee and the Advisory Board Risk Committee. Polen Capital's Risk & Compliance Committee oversees enterprise risk management and monitors the firm's ongoing and potential exposure to various types of risks. The Risk & Compliance Committee is comprised of senior members of management, including our CEO. Within the Advisory Board, an independent committee of outside advisors responsible for providing non-binding strategic advice to the firm, is the Advisory Board Risk Committee which has a specific focus on the firm's risk exposure and risk management approach. The Risk & Compliance Committee and the Advisory Board Risk Committee review the firm's climate management approach and are updated semiannually on the progress of our ESG initiatives, including climate risk management implementation.

### Strategy

As long-term investors, we seek to identify and understand all risks and opportunities that may impact the potential for long-term financial sustainability for our portfolio companies. With our stakeholder-centric approach, we seek to understand how companies enhance their value proposition by identifying and managing climate-related risks and opportunities. Many companies recognize their responsibility and the expectation of stakeholders for companies to reduce their carbon emissions and take action to transition to a low-carbon economy. We also evaluate how companies are developing and innovating products and services to meet evolving needs and preferences for more sustainable products or services that help customers address their own sustainability goals. We assess how these initiatives impact the company's value proposition and any responding changes in stakeholder behavior.

Within our ESG framework applied for our equity strategies, we also consider the measures that companies are implementing to improve their energy efficiency and the carbon emissions reduction goals and plans that we believe will contribute to a company's readiness to transition to a low-carbon economy.

### Risk Management

Through our bottom-up, fundamental research, equity investment teams generally assess the initiatives companies are pursuing to address climate change. We leverage the Sustainability Carbon Risk reports to monitor our equity portfolio company's exposure to climate change risk, specifically carbon or transition risk.

Given our equity approach to investing in high-quality companies that we believe are positioned for long-term financial sustainability, equity strategies typically do not have exposure to certain high carbon-emitting industries such as energy, and many of our portfolio companies are asset-light businesses. Our equity portfolios rate "low risk" for transition risk based on the Sustainability Carbon Risk

Rating Reports as of December 31, 2022. This supports our view that our equity portfolios are prepared and should have minimal impact from a transition to a low-carbon economy.

Within our credit portfolios we assess risks and opportunities related to climate change as part of our fundamental analysis of bond and loan issuers, primarily sourcing information from company disclosures and MSCI research where available. We may also engage with companies to encourage improved climate disclosure. Certain clients of our credit strategies exhibit a particularly strong focus on climate change-related issues. With respect to such clients that maintain such requirements, we exclude fossil fuel producers and power generators bonds and loans from some of our credit portfolios. We monitor and seek to manage certain of our credit portfolios carbon intensity to be below that of the relevant index benchmark.

### Metrics and Targets

We do not currently set targets for carbon-related risks or opportunities in the equity portfolios as this is not an objective of our equity strategies. With respect to clients that maintain such requirements, we monitor and seek to manage certain of our credit portfolios' carbon intensity to be below that of the relevant index benchmark.

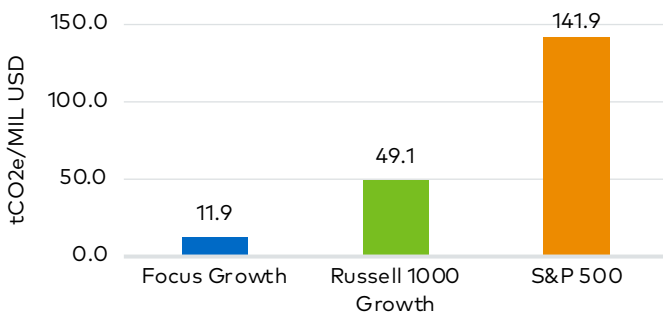
As discussed earlier, equity portfolios typically utilize the Sustainalytics Carbon Risk Rating reports to further inform our assessment of climate-related risks and opportunities. In addition to the carbon risk rating level, we primarily refer to the report for a calculation of the portfolio's carbon intensity for reporting purposes.

Carbon intensity is a relative metric used to compare company emissions across industries and is a ratio of absolute emissions to total revenue expressed in tCO<sub>2</sub>e/MIL USD.

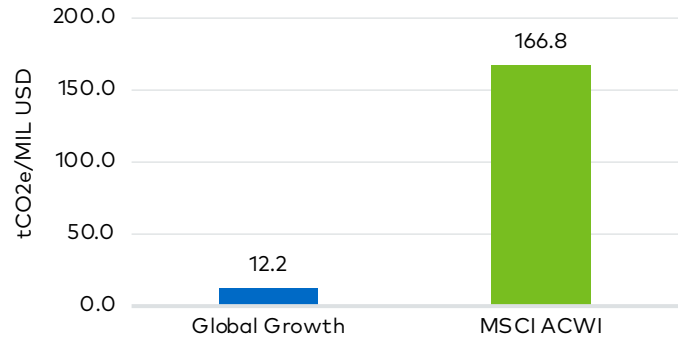
### Portfolio Carbon Intensity as of December 31, 2022

Equity Strategies | Source: Sustainalytics

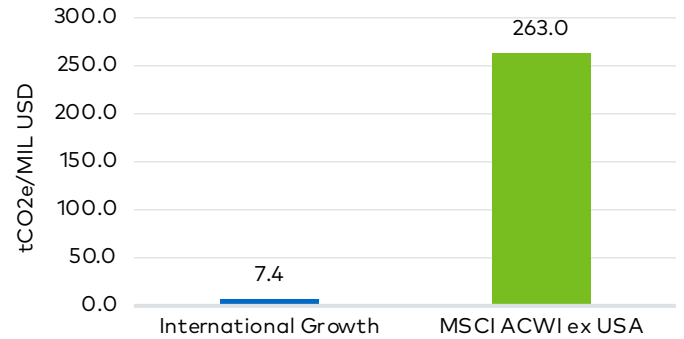
#### Focus Growth



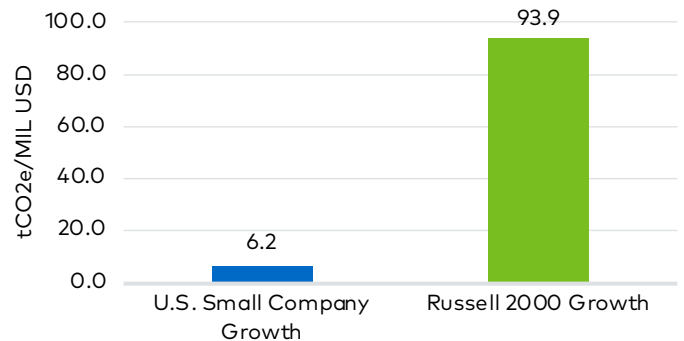
#### Global Growth



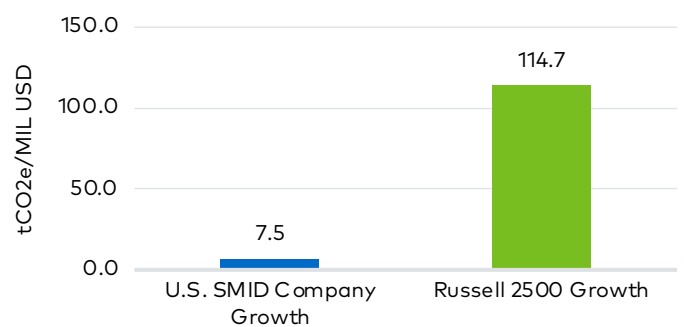
#### International Growth



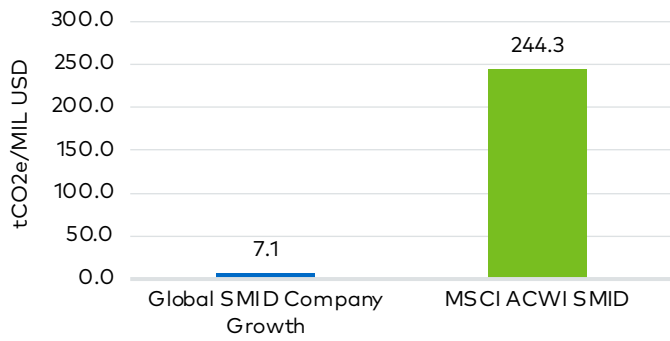
#### U.S. Small Company Growth



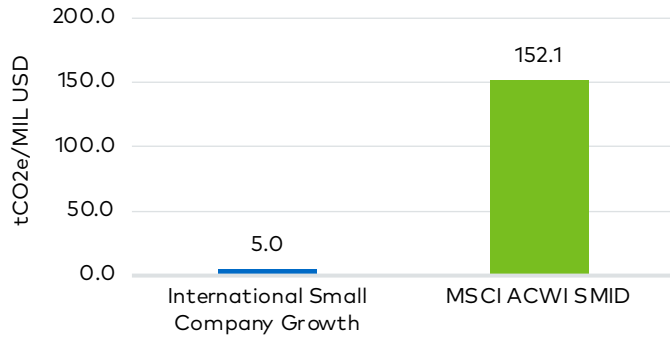
#### U.S. SMID Company Growth



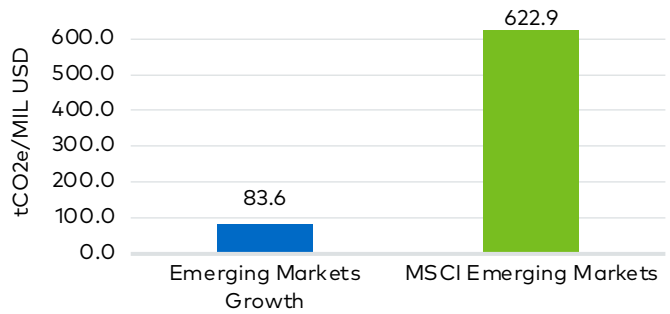
### Global SMID Company Growth



### International Small Company Growth

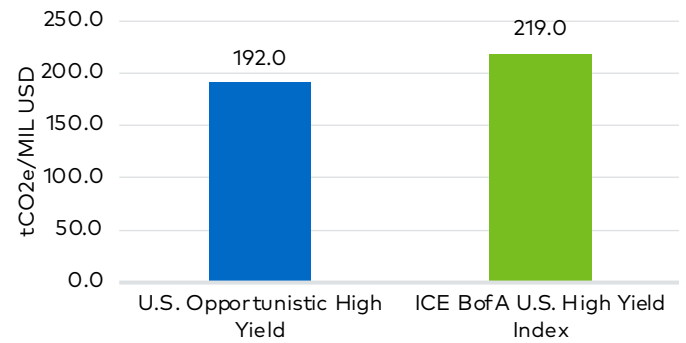


### Emerging Markets Growth

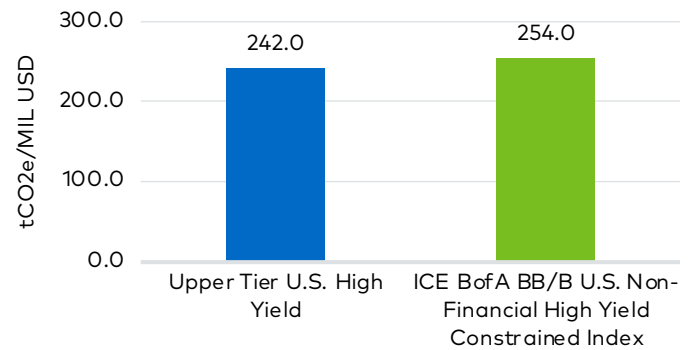


Credit Strategies | Source: MSCI and Polen estimates based on MSCI industry averages

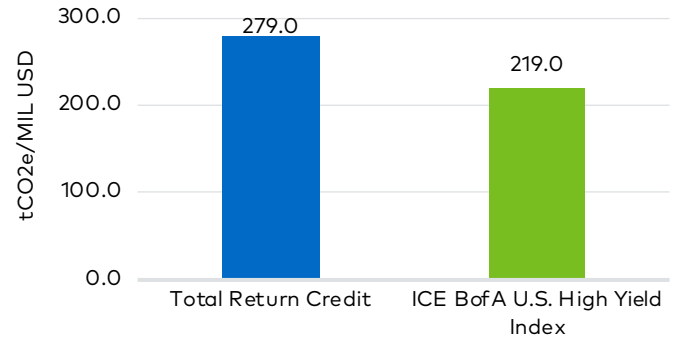
### U.S. Opportunistic High Yield



### Upper Tier U.S. High Yield



### Total Return Credit





## Going Beyond with Polen Capital

Polen Capital is a team of experienced investment industry professionals who share an unwavering commitment to our clients, investors, community, and each other. We have been dedicated to serving investors by providing concentrated portfolios of what we believe are the highest-quality companies for more than three decades. At Polen Capital, we have built a culture of results, and in this, an inherent belief in going beyond what's expected for the people and communities we serve.

We adhere to a time-tested process of researching and analyzing the highest-quality companies around the globe—selecting only the best to build highly concentrated portfolios. Then, we invest for the long haul and with a business owner's mindset—giving these companies time to grow.

The information provided in this document should not be construed as a recommendation to purchase, hold, or sell any particular security.

There is no assurance that any securities discussed herein will remain in the portfolio at the time you receive this document or that the securities sold have not been repurchased. The securities discussed do not represent the entire portfolio. Actual holdings will vary depending on the size of the account, cash flows, and restrictions. It should not be assumed that any of the securities, transactions, or holdings discussed were or will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein. A complete list of our past specific recommendations for the last year is available upon request.

The information in this document is provided for informational purposes only. This document is not intended as a guarantee of profitable outcomes. Past performance is not indicative of future results. The opinions and estimates expressed herein constitute the judgement of Polen Capital as of the date of this document, are not guaranteed, and are subject to change without notice or update, including any forward-looking estimates or statements which are based on certain expectations and assumptions. Although the information and any opinions or views given have been obtained from or based on sources believed to be reliable, no warranty or representation is made as to their correctness, completeness or accuracy. The views and strategies described may not be suitable for all clients. References to specific securities, asset classes and financial markets are for illustrative purposes only and are not intended to be, and should not be interpreted as, recommendations. This document does not identify all the risks (direct or indirect) or other considerations which might be material when entering any financial transaction.

Reporting coverage by equity strategy and index for carbon metrics: Focus Growth (100%), Russell 1000 Growth (100%), S&P 500 (100%), Global Growth (100%), MSCI ACWI (100%), International Growth (100%), MSCI ACWI ex USA (99%), U.S. Small Company Growth (88%), Russell 2000 Growth (98%), U.S. SMID Company Growth (95%), Russell 2500 Growth (97%), Global SMID Company Growth (95%), MSCI ACWI SMID (97%), International Small Company Growth (79%), MSCI ACWI ex USA Small Cap (94%), Global Emerging Markets Growth (92%), MSCI Emerging Markets (99%).

## Connect with Us

For more information on Polen Capital visit [www.polencapital.com](http://www.polencapital.com) and connect with us on [LinkedIn](#).

**Past performance is not indicative of future results.** There can be no assurances that any portfolio characteristics depicted herein shall be replicated in the future.

For the portfolio and the benchmark, estimated carbon intensity is the weighted average carbon intensity that is calculated (a) with respect to the securities for which such data is provided by Polen Credit's third-party ESG data provider, MSCI, the value provided by MSCI, and (b) with respect to the securities that do not have any MSCI carbon intensity data, the corresponding industry average carbon intensity (as reflected by MSCI). Because of this latter assumption, the actual carbon intensity for the portfolio (as well as the benchmark) may vary from the estimated figure provided. As of the date of this report, securities for which Polen Credit obtains carbon intensity data from its third-party ESG data vendor comprise the approximate market value: U.S. Opportunistic High Yield (31%), ICE BofA U.S. High Yield Index (79%), Upper Tier U.S. High Yield (79%), ICE BofA BB/B U.S. Non-Financial High Yield Constrained Index (83%), Total Return Credit (21%), Bank Loan (21%).

The Sustainalytics Carbon Risk Rating quantifies the company's exposure and management of material carbon issues, in its own operations as well as its products and services to assess the company's risk related to a transition to a low carbon economy. In the Sustainalytics Carbon Risk Ratings, a company's exposure to and management of carbon issues is broken out into three separate Material Carbon Issues. These issues are focused on a topic, or set of related topics, that require a common set of management initiatives or a similar type of oversight. The Material Carbon Issues are: Carbon – Own Operations, Carbon – Products and Services, and Carbon Finance. Based on quantitative scores of the company's exposure to and management of carbon risks, companies are grouped into one of five risk categories (negligible, low, medium, high, severe). These risk categories are absolute, meaning that a "high risk" assessment reflects a comparable degree of unmanaged carbon risk across all subindustries covered.

Carbon intensity is a relative metric used to compare company emissions across industries. Sustainalytics divides the absolute emissions by total revenue, meaning the figure is expressed in tons of carbon dioxide equivalent per million USD of total revenue.

There can be no guarantee that the portfolio will exhibit identical or similar characteristics to those shown at any future time of investment. The portfolio's holdings may be materially different from those within the indices referenced.

Indices are unmanaged and one cannot invest directly in an index. The Russell 1000® Growth Index is an unmanaged index that measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000® Index companies with higher price-to-book ratios and higher forecasted growth values. The S&P 500® Index is a widely recognized, unmanaged index of 500 common stocks which are generally representative of the U.S. stock market as a whole. The MSCI ACWI Index is a market capitalization weighted index designed to provide a broad measure of equity-market performance throughout the world. The MSCI ACWI is maintained by Morgan Stanley Capital International and is comprised of stocks from both developed and emerging markets. The MSCI ACWI (ex-USA) Index is a market capitalization weighted index designed to provide a broad measure of equity-market performance throughout the world (excluding the United States). The MSCI ACWI (ex-USA) is maintained by Morgan Stanley Capital International and is comprised of stocks from both developed and emerging markets. The Russell 2000® Growth Index measures the performance of those Russell 2000 companies with higher price/book ratios and higher forecasted growth values. The Russell 2500 Growth Index measures the performance of those Russell 2500 companies with higher price-to-book ratios and higher forecasted growth values. The MSCI ACWI ex USA Small Cap Index is a market capitalization weighted

index designed to provide a broad measure of equity-market performance throughout the world (excluding the United States). MSCI ACWI SMID Cap is a market capitalization weighted equity index that measures the performance of the mid and small-cap segments across developed and emerging market countries. The index is maintained by Morgan Stanley Capital International. The MSCI ACWI ex USA Small Cap is maintained by Morgan Stanley Capital International and is comprised of stocks from both developed and emerging markets. The MSCI Emerging Markets Index is a market capitalization weighted index designed to provide a broad measure of equity-market performance throughout the world and captures large and mid-cap representation across 27 emerging markets countries. The MSCI Emerging Markets Index is maintained by Morgan Stanley Capital International. The ICE BofA BB/B U.S. Non-Financial High Yield Constrained Index, contains all securities in the ICE BofA U.S. High Yield Index rated BB1 through B3, based on an average of Moody's, S&P and Fitch, but caps issuer exposure at 2% and excludes Financials. Index constituents are capitalization-weighted, based on their current amount outstanding, provided that the total allocation to an individual issuer does not exceed 2%. The ICE BofA Merrill Lynch US High Yield Index tracks the performance of US dollar denominated below investment grade corporate debt publicly issued in the US domestic market.