Stewardship Report

Sands Capital Management, LLC
2024

SANDS CAPITAL

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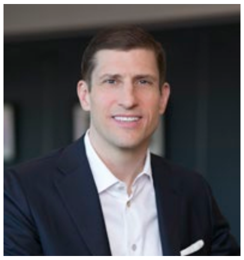


At Sands Capital, our commitment to responsible stewardship of client capital remains unwavering. In an era of heightened political rhetoric and regulatory shifts in the United States, we stand firm in our view that active ownership is essential to driving sustainable value creation for our global client base. That conviction shapes how we define and practice stewardship. Our approach is grounded in value-driven research, long-term thinking, and deep integration across our investment team.

Our stewardship approach is value-driven—rooted in fundamental analysis and in our belief that stock prices ultimately reflect the earnings power of great businesses. We apply our research capabilities to build context and seek to assess all factors materially linked to a company's ability to sustain above-average long-term growth, including those related to governance, strategy, and operational resilience.

As long-term investors in business enterprises—not short-term traders—we focus on understanding the strength and durability of the long-term growth drivers for each portfolio company. Establishing such a deep understanding of each business typically affords us credibility with its management team, enabling us to be constructive partners with a shared focus on enhancing long-term shareowner value.

Furthermore, our stewardship approach is fully integrated across our investment team. This means all of our investment professionals play an active role. Our analysts—who know these businesses best—lead environmental, social, and governance (ESG) assessments, company engagements, and proxy voting, ensuring stewardship is seamlessly embedded in our investment process.

In short, stewardship is both an extension of our investment philosophy and an integral part of our long-term business strategy. It is intentionally designed to be disciplined, pragmatic, aligned with the fiduciary responsibilities of our clients, and resilient to short-term market and political shifts.

Our 2024 stewardship report brings this philosophy to life. It not only illustrates our approach in greater depth but also highlights tangible examples and outcomes of our active ownership efforts over the past year. Through this report, we aim to offer transparency into our process and decisions, equipping our clients and partners with the context they need to confidently share how we are working to protect and grow their capital.

Sincerely,

Frank M. Sands, CFA
Chief Investment Officer
Chief Executive Officer

Karin Riechenberg
Director of Stewardship

1

Who We Are

At Sands Capital, we are active, long-term investors in leading innovative businesses, globally. Our approach combines analytical rigor and creative thinking with an aim to identify high-quality growth businesses that are creating the future.

Our Mission and Purpose

Established in 1992, Sands Capital is an independent investment management firm with a clear and simple mission: We exist to add value and enhance the wealth of our clients with prudence over time. Now, more than 30 years later, we remain steadfastly committed to this founding mission.

We strive to achieve our mission by seeking to generate positive outcomes for our stakeholders. We help clients fulfill their objectives, which can include providing sustainable and better retirements, improving healthcare, funding innovative research, and supporting charitable works to help create a better world.

For society, we perform the important function of selectively allocating capital to businesses that innovate and solve problems. These businesses can improve billions of people's lives by offering essential products and services to the global economy, creating jobs, and supporting institutions that enhance civil society.

For our staff, we create a dynamic work environment that challenges them to bring forth their best creative talents, experience fulfillment, and grow in a supportive culture.

Culture and Values

What we believe and value as an investment organization matters greatly to our clients and other stakeholders. We embrace a culture in which every staff member is responsible for upholding Sands Capital's values and fulfilling the firm's mission. We believe three core values are especially critical for high-performing teams:

- **Integrity and trust:** Do what is right, not what is popular. Deliver on commitments.
- **Client-centered:** Always act in the best interest of our clients.
- **Commitment to excellence:** Strive to learn and improve. Implement best practices.

In addition to these core values, we believe it is important to focus on what matters most in an investment case, to maintain a long-term perspective, and to work collaboratively as we gather facts and build conviction.

We also strive to work with a positive attitude, grace, and kindness and to achieve a healthy work-life balance. Ultimately, we let meritocracy be our guide—understanding that talent and achievement drive success at Sands Capital.

Business Model and Strategy

Sands Capital focuses exclusively on active, long-term growth investing. We employ deep, fundamental, business-focused research as we aim to identify high-quality, leading growth companies with sustainable, above-average earnings growth that typically operate in attractive areas of innovation. Our portfolios consist of a relatively small, select group of these businesses in which we have the strongest conviction.

We primarily serve institutional asset owners through a range of investment strategies distinguished by geographical focus. Our clients access our strategies through separately managed accounts and advised and subadvised pooled vehicles, such as mutual funds, undertakings for collective investment in transferable securities (UCITS) funds, collective investment trusts (CITs), and private funds.

As an independent, private partnership that is wholly owned and managed by the partners of the firm, we are fortunate to control our own destiny. We focus on long-term investment and business outcomes, and we seek to avoid the distractions of outside, short-term interests. This approach has enabled us to effectively perpetuate the mission and a culture that bonds our staff.

Consequently, we maintain strong internal alignment as evidenced by staff engagement survey results. It's that internal cohesion that enables us to stay exceptionally well aligned with our clients' interests. Hence, we believe we are well suited to be active, long-term stewards of their capital.

Our foremost business priority is to serve current clients well by fulfilling our mission. We endeavor to do this by creating a high-quality, differentiated client experience. We seek to deliver strong absolute and relative investment results, efficient and effective administration, and value-added service and support. To be successful, we aim to create and nourish a positive culture based on our values while ensuring all staff members have the resources and support they need to execute with excellence. Recruiting, identifying, supporting, and developing top talent and future leaders is also of primary importance to us. Internally, we look for opportunities to optimize our processes and systems by innovating and challenging the status quo to build a successful, sustainable, and profitable business.

We do not set business development targets because we believe they could lead to misalignment with the interests of current clients. Instead, we take a thoughtful and measured approach to identify prospective clients with whom our mission, investment philosophy, and approach are a strong fit. We seek long-term partnerships that we believe add to our current client base and enhance the sustainability of our firm.

Investment Philosophy and Approach

We apply a single philosophy across all investment strategies. That philosophy is rooted in the belief that, over time, stock price appreciation follows the earnings power and growth of the underlying business. We act on this belief by:

- Seeking to identify exceptional businesses with the capacity to generate sustainable, above-average growth over time.
- Constructing concentrated and conviction-weighted portfolios.
- Maintaining a long-term investment horizon, accepting short-term market volatility in exchange for long-term growth potential.

The cornerstone of our investment strategy is our proprietary global research. The differentiated insights we generate tend to guide our predictions for the magnitude and/or durability of businesses' growth relative to market expectations. In our experience, markets often underappreciate the compounded impact of nonlinear, exponential rates of growth and the durability of growth that select leading businesses can produce.

We seek to enable our clients to benefit from the compounding of business growth over time—which tends to be the most powerful driver of wealth creation. Because of this long-term focus, we examine a wide range of factors we think could affect the sustainability of the businesses based on their materiality. These factors include ESG practices. We believe such factors may shape brand perception, operational efficiency, cost of capital, talent retention, and social license to operate, which in turn shape how the market values the firm. Consequently, we wish to own exceptional businesses that recognize and thoughtfully manage ESG practices, among other material factors.

As a steward of long-term client capital, we believe it's an integral part of our fiduciary responsibility to consider all matters that have the potential to influence investment outcomes and alignment to our six investment criteria.

Our Six Investment Criteria[1]

Our core strength lies in applying proprietary, fundamental research guided by our six investment criteria to identify leading growth businesses. These criteria help us focus on companies that are not only innovative but also deliver products or services with few—if any—true substitutes. In our view, the businesses we invest in are often differentiated leaders within their industries, with significant and durable competitive advantages. Many exhibit game-changing potential, driving their own growth through continuous innovation, expansion into new markets, or redefining existing markets.

Our Six Criteria

The cornerstone of our investment strategy is our proprietary global research, which is fundamental, bottom up, and business-focused. We seek to identify leading growth businesses that meet the following criteria:

1. Sustainable above-average earnings growth
2. Leadership position in a promising business space
3. Significant competitive advantages/unique business franchise
4. Clear mission and value-added focus
5. Financial strength
6. Rational valuation relative to the market and business prospects

1. There is no guarantee that owning securities of companies meeting the six criteria will cause the portfolio to outperform its benchmark or index.

Enabling Effective Stewardship

Sands Capital's commitment to stewardship is rooted in our culture, philosophy, and approach to managing concentrated, conviction-weighted portfolios of leading growth businesses. Our conviction comes from developing an intimate knowledge of a small number of companies—25 to 50 in a typical client portfolio—which we believe is far more valuable in identifying opportunities and mitigating risks than a superficial knowledge of a broader group of companies.

We act on our commitment by building our cumulative knowledge about each business' practices that we believe have the greatest potential to affect long-term shareowner value. We embrace active ownership,[2] seeking to use our knowledge and credibility with company management teams to share our views to support the long-term trajectory of our businesses through focused, robust engagement and voting. Finally, we strive to make our investment process transparent and accountable in an effort to keep stakeholders aware of how ESG business practices inform our capital allocation decisions.

ESG research and active ownership are horizontally integrated at our firm, meaning every investment professional contributes to our stewardship program. This approach is consistent with our intent to operate as one team with one mission and one philosophy. We do not operate in silos. To enable this integrated approach, we have invested substantially in the necessary people, processes, data, tools, and training.

Our core stewardship team of four stewardship investment professionals collaborates with our broader investment team to help ensure our research analysts address the full scope of relevant opportunities and potential risks. Through our stewardship analyst council, our research professionals meet quarterly to share best practices and identify opportunities for improvement. We believe this platform has demonstrated to be a powerful way to elevate the knowledge of our professionals and enhance consistency in our research approach.

2. Use of the term "active ownership" means that Sands Capital engages with companies to discuss our views on issues relevant to long-term value creation, and does not involve any direct or indirect attempt to exert pressure to implement specific measures, change policies, or otherwise influence control over the issuer.

How Our Beliefs Have Guided Stewardship Decision-Making

Our approach to investment management may be best described as applying a private business owner's mindset to public equity investing. As long-term investors, we seek to buy leading growth businesses, and we do not trade stocks. It is this long-term ownership mindset that guides how we practice stewardship across our investment strategies.

As of the end of 2024, we allocated the approximately $51 billion in client capital under our management to a select group of only 122 listed companies. Our decision to invest in them reflects our conviction in their strong fit with our investment criteria, including our assessment of their current ESG practices and opportunities for progress. Our decisions about where not to invest are equally important and may reflect our view of untenable risks resulting from subpar governance practices or other sustainability concerns.

With many portfolio businesses, our engagements begin with early due diligence—well before our initial investment. Such engagements enable us to evaluate each management team's quality and vision. They also provide us with a view into management's intentions in addressing environmental externalities, human and social capital, governance matters, and other factors.

Half of our client capital is invested in companies we have owned for five years or more; more than one-third in companies held for more than seven years. Our alignment with long-term shareowner interests is critical to establishing credibility and trust with management teams and other stakeholders, in our experience.

As long-term partners, we seek to help businesses grow and mature and to evolve their ESG practices to navigate emerging economic and societal complexities. Through constructive relationships with management teams, we can help support the journey of these companies, which we believe can contribute to positive long-term outcomes for their shareowners and society.

We believe a company's growth sustainability may be impaired when it fails to meet society's expectations for responsible business practices. We have observed such failures adversely affect brand equity and consumer trust, which are inextricably linked to a company's ability to create long-term shareowner value. For this reason, authentic and active stewardship of client capital will remain central to all we do in order to fulfill our mission.

Assessing Our Efficacy in Serving Clients' Best Interests

As stated earlier, our mission is to add value and enhance the wealth of our clients with prudence over time. However, over the past three years, our flagship investment strategies have not added value relative to the benchmarks, having faced numerous headwinds. This reality has required us to engage in deep reflection, carefully analyze the forces shaping markets, and fine-tune our strategies to help ensure their resilience and positioning for growth.

The environment in 2024 was shaped by the forces of the past three years. In late 2021, the stock market began a significant correction that persisted through mid-2022. During this period, a broad swath of high-growth equities experienced a significant drawdown as a rapid rise in interest rates collided with a profit downturn stemming from a normalization of sales growth after the COVID-19 pandemic.

Beginning in mid-2022, business fundamentals began to improve, and market expectations for rate increases stabilized. Throughout 2023, revenue growth at many of our businesses returned to pre-pandemic levels, which, paired with cost discipline, led to significant margin expansion and a profit recovery. Their stock prices began to reflect these improvements, and as easy money dried up, many were able to widen their competitive moats as less financially stable businesses buckled.

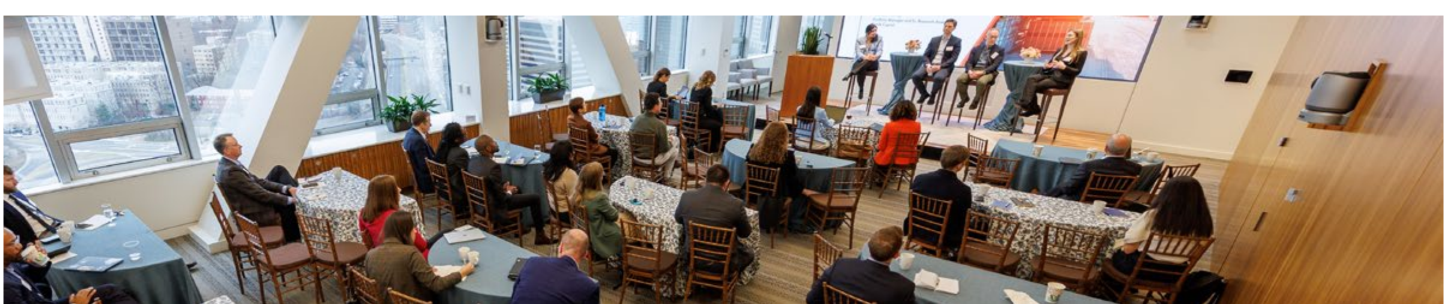
Throughout 2024, the performance of many of our strategies varied dramatically amid shifting expectations for monetary policy and enthusiasm related to artificial intelligence (AI). During the more uncertain times, investors often sought refuge in the known, gravitating to the megacap businesses that are often viewed as providing lower-risk exposure to AI. Many of our businesses, especially those earlier in their profit journey and considered riskier, lagged the returns of the megacaps. This dynamic drove the extreme levels of benchmark concentration that have made it increasingly difficult for active investors to outperform.

Though our investment results at the end of 2024 have rebounded significantly since 2022, the share prices of the stocks of many of our portfolio businesses have not kept pace with their earnings growth, suggesting more upside potential. This disconnect between stock performance and underlying business potential can be frustrating—for us and our clients alike—but it is an inherent part of the journey we are on together.

At the end of 2024, we began to see some meaningful realignment. Evidence of broadening market leadership and signs that significant expenditures on AI infrastructure would translate into earnings have boosted growth equities beyond the so-called Magnificent Seven.[3] These companies have dominated price action to varying degrees for the past decade.

The volatile nature of the quarter-to-quarter and year-to-year stock prices reinforces our commitment to our investment philosophy, which is rooted in the belief that business fundamentals driven by earnings growth are the predominant drivers of stock price appreciation over the long term.

3. Magnificent Seven: vernacular for a group of megacap tech stocks that includes Alphabet, Amazon, Apple, Meta Platforms, Microsoft, NVIDIA, and Tesla.



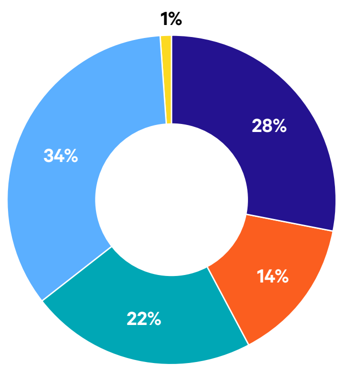
2 Who We Serve

Serving a global, diverse client base requires direct communication to identify needs and articulate expectations. We are committed to nurturing these relationships and managing assets as effective stewards of capital.

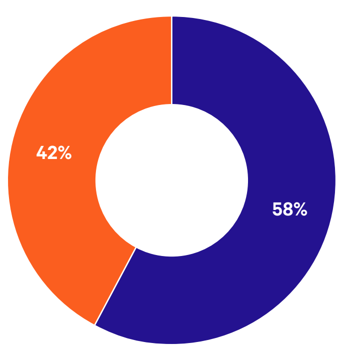
99%

of AUM managed on behalf of institutional clients

ASSETS BY TYPE



- U.S. Institutional Separate Accounts
- Non-U.S. Institutional Separate Accounts
- U.S. Pooled Funds
- Non-U.S. Pooled Funds
- Private Clients



- AUM[4] managed on behalf of clients based in the U.S.
- AUM[4] managed on behalf of clients based outside the U.S.

Helping Institutional Investors Achieve Their Long-Term Objectives

Sands Capital primarily serves institutional investors—including corporations, public funds, foundations, endowments, sovereign institutions, and fund sponsors in 39 countries. Institutions represent the vast majority (99 percent) of client assets under management (AUM); private clients represent a small portion (1 percent). U.S. clients represent 58 percent of AUM, and clients outside the United States represent 42 percent. As of December 31, 2024, we managed $51 billion in assets.[4]

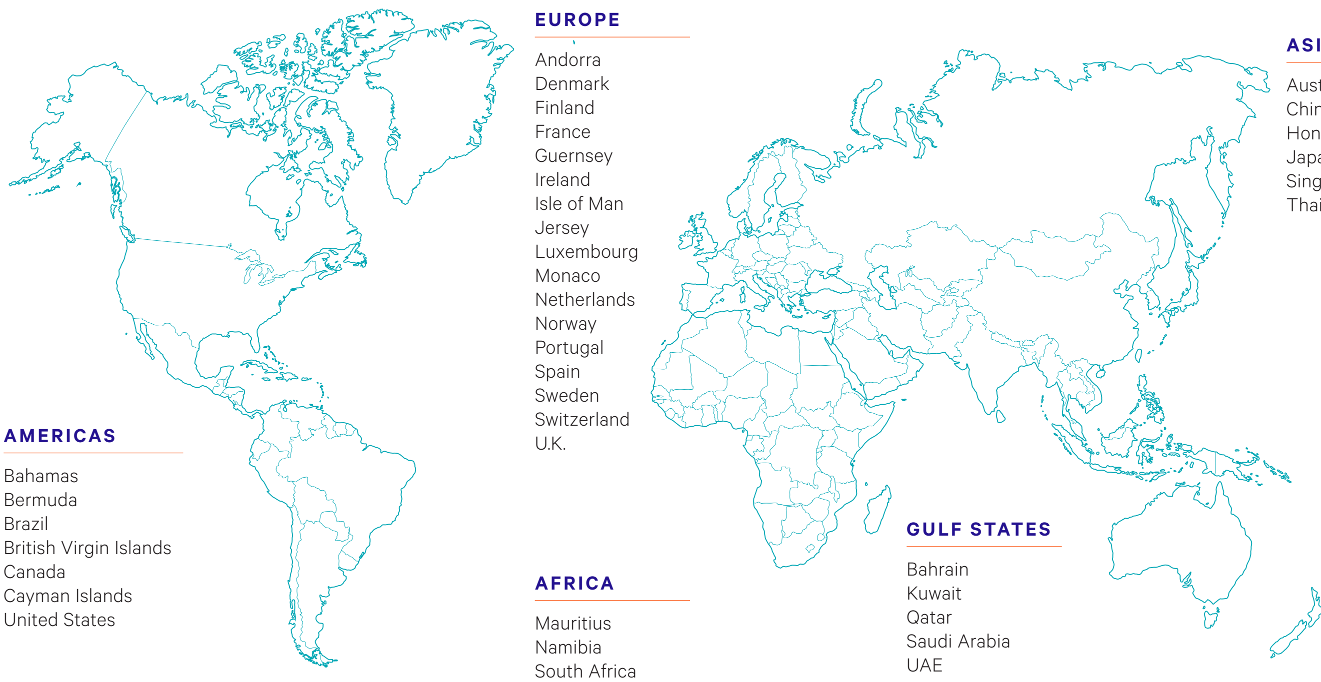
Our investment strategies seek to outperform their applicable passive market benchmarks over rolling three- and five-year periods, in keeping with our long-term investment horizon. Therefore, our approach is best suited for clients who seek long-term capital growth with an investment time horizon of five years or more and who do not anticipate short-term liquidity needs. This time horizon is consistent with the expectations of our institutional clients who are responsible for pension and other long-term funding goals.

Client assets are invested exclusively in long-only portfolios of public growth equities and are fully invested at all times. The portfolios may include a residual cash position, generally of 5 percent or less. Our portfolios are differentiated by geography and the growth rate of the underlying portfolio businesses. As of December 31, 2024, our geographic exposure was 60 percent U.S. equities, 21 percent developed markets ex-U.S., and 19 percent emerging markets.

We manage a substantial portion of client assets in separate accounts. Clients can customize separate account mandates to align with their investment policies and objectives, provided that we can successfully execute our investment strategy. One of the most common forms of customization is the exclusion of portfolio holdings tied to certain industries or business involvement. The most common exclusion is tobacco.

4. Based on the discretionary assets under management for the public equity strategies managed by Sands Capital Management, LLC as of December 31, 2024.

CLIENT BASE BY REGION



AMERICAS

Bahamas
Bermuda
Brazil
British Virgin Islands
Canada
Cayman Islands
United States

EUROPE

Andorra
Denmark
Finland
France
Guernsey
Ireland
Isle of Man
Jersey
Luxembourg
Monaco
Netherlands
Norway
Portugal
Spain
Sweden
Switzerland
U.K.

AFRICA

Mauritius
Namibia
South Africa
Zambia

GULF STATES

Bahrain
Kuwait
Qatar
Saudi Arabia
UAE

ASIA PACIFIC

Australia
China
Hong Kong
Japan
Singapore
Thailand

In the United States, we manage pooled-fund assets primarily through subadvisory relationships with independent fund sponsors and wealth managers. As our clients, these fund sponsors conduct due diligence on us like many other institutional clients. As the fund underwriter and distributor, they are responsible for preparing the fund offering documents that set forth the investment objective and strategy and managing all communications with their clients, who are the fund shareholders. We support fund sponsors by providing our analysis of investment strategy results and offering our perspectives on the opportunities and risks attributed to the portfolio businesses.

Outside the United States, in addition to funds managed through conventional advisory relationships, we make many of our investment strategies available to qualified investors through certain pooled funds. These pooled funds primarily serve the needs of institutional investors for whom establishing a separate account with us is not feasible. Domiciled in Ireland as UCITS, the majority of these open-end investment funds are classified under Article 8 of the European Union Sustainable Finance Disclosure Regulation. The UCITS' investment policies promote certain environmental or social characteristics and include certain binding elements, including business-involvement exclusions. These exclusions pertain to controversial weapons, tobacco, human rights issues, and additional items based on certain revenue thresholds.

Cultivating Strong, Transparent Client Relationships

Nurturing a strong, direct relationship with our clients is central to how we manage assets and act as effective stewards of capital. We feel that individual attention is appropriate for our relatively small and focused institutional client base.

We believe the strength of our client partnerships is well reflected in our three-year average rolling retention rate of 89 percent.[5] Furthermore, as of December 31, 2024, more than 69 percent of our current clients have entrusted us with their investment capital for 10 years or longer.

Commitment to Transparency

We are committed to providing transparency into our stewardship initiatives. That includes how we think certain ESG factors may relate to the long-term growth prospects of the companies we own. Our commitment to transparency is reflected in our client reporting and our public disclosures.

Client Reporting

For current clients, we publish quarterly strategy reports incorporating stewardship-related content that includes:

- Portfolio carbon metrics according to the Task Force on Climate-Related Financial Disclosures (TCFD) reporting recommendations.
- A summary of engagement activity for the trailing 12 months.
- An engagement case study from the most recent quarter.
- A summary of voting activity for the trailing 12 months.

This information is also incorporated into quarterly review books produced for client meetings.

Public Disclosures

- In addition to our stewardship policy statements and ESG principles, our publicly available annual stewardship report provides details on the firm's overall engagement strategy, the number of engagements by type and topic, examples of engagement cases, and outcomes.
- We disclose our voting record for all strategies for the trailing 12 months as of the most recent month-end on our public website.
- Additionally, we publish a stewardship page on our public website on which we feature thought leadership articles on stewardship topics, pertinent policy statements, and more.

5. As of September 30, 2024. The three-year average rolling retention rate is calculated on a fiscal year basis.

Seeking Client Views and Assessing the Effectiveness of Client Communication

Our communications and stewardship practices exist to add value to our clients. Our client relations team serves as a conduit between our clients and our stewardship and executive management teams. In addition, members of the research and stewardship teams meet with clients to learn their thoughts and feedback on our approach. We continually solicit clients' feedback regarding the evolving landscape in which we invest and welcome their questions about the extent to which we have incorporated our understanding of relevant ESG factors into each investment case.

Our institutional clients expect to meet us directly at regular intervals, often quarterly or semiannually. We report on the progress of our investment strategies and seek to learn about our clients' views through these engagements. Many clients are represented by investment consultants who frequently conduct diligence on our investment strategies. During these discussions, we share details on our philosophy, our approach, and the execution of our strategies, and we solicit perspectives on industry standards.

As a reflection of our commitment to serving clients, Coalition Greenwich named us a 2022 Greenwich Quality Leader in Institutional Investment Management Service in the United States.[6] In its February 2023 announcement of the four firms that had earned this distinction, Coalition Greenwich noted: "These asset managers have distinguished themselves from competitors by delivering superior levels of client service that help institutional investors achieve their investment goals and objectives." The Greenwich Quality Leader distinction was awarded on the basis of interviews with 727 institutional investors from 590 of the largest tax-exempt funds in the United States in terms of AUM. The study was conducted between February and November of 2022. These investors manage corporate, public, union, and endowment and foundation funds that have either pension or investment pool assets valued at more than $150 million. We believe the recognition is a testament to the great work of our team and its commitment to serving clients' best interests. It reflects the effort our entire staff makes to fulfill our firm's mission and greater purpose.

6. Coalition Greenwich, a division of CRISIL, an S&P Global Company, is a leading global provider of strategic benchmarking, analytics, and insights to the financial services industry. While Sands Capital did not pay for this recognition, it has a contractual relationship with S&P, pertaining specifically to index and data licensing. The endorsement provided may not be representative of the experience of other clients and is not a guarantee of future performance or success.

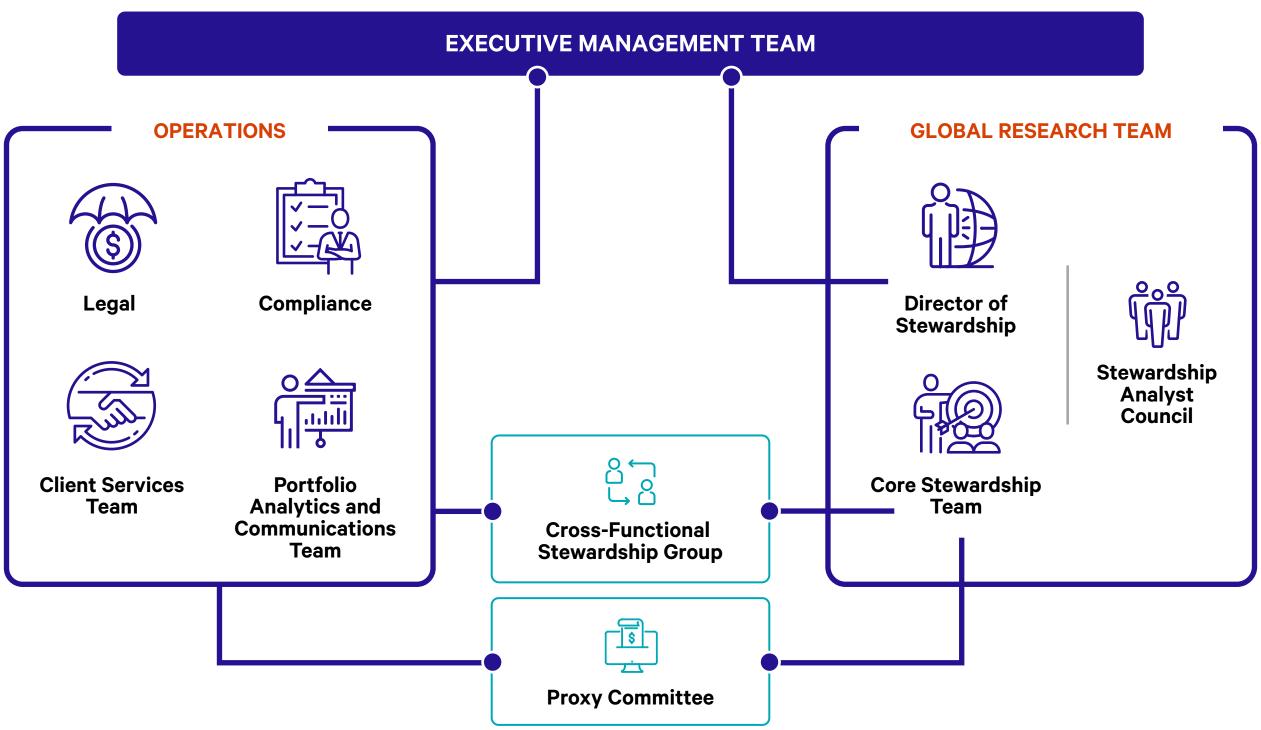
3 Oversight

Our governance framework is designed to leverage our cultural strengths and provide our staff with the resources and incentives necessary to enable effective stewardship of client capital.

Governance

We believe robust oversight of our policies, processes, and practices is essential to executing a highly effective stewardship program. We have made significant progress on governance structures that support the in-depth integration of ESG practices, as well as active ownership, seeking to ensure long-term benefits for our clients.

GOVERNANCE STRUCTURE



Core Stewardship Team

ESG research and active ownership responsibilities are horizontally integrated across our global research team. We believe keeping ESG research, engagement, and proxy voting in the hands of our analysts reinforces our deep understanding of our portfolio companies and yields positive outcomes.

The core stewardship team comprises dedicated stewardship investment professionals whose primary function is to support the implementation of ESG integration, engagement, and proxy voting on a day-to-day basis. The team supports our research analysts and portfolio managers by contributing domain knowledge on specific ESG topics. The team also helps structure strategic engagements with target companies and ensures that we effectively fulfill our proxy voting obligations.

Governance Structures Supporting Stewardship

In 2024, we began updating the exclusions list for our Article 8 UCITS funds. This exercise was driven by our cross-functional stewardship group.

Earlier in 2024, we received feedback that our exclusion thresholds were less stringent than those of some peers. In response, the cross-functional stewardship group evaluated the benefits of adopting a stricter set of exclusions. Key proposed changes included lowering revenue thresholds for thermal coal and tobacco and introducing a restriction on fossil fuel companies.

We expect these updates to be fully adopted in 2025 and to better align our exclusions with industry standards. We anticipate a positive reception from our clients.

The current team is made up of five staff members. Four are investment professionals who act as consultants to our global research team. The fifth team member supports the development and production of marketing and client reporting for the stewardship program.

Beyond supporting the research team, the core stewardship team also:

- Drives stewardship policy and process improvements.
- Sources and integrates ESG and proxy data.
- Manages relationships with third parties, such as industry associations and collaborative engagements.
- Works with the legal and compliance teams to ensure adherence to regulatory requirements.
- Supports client and industry reporting.

The core stewardship team meets regularly to establish priorities, assess resource requirements, and prepare recommendations.

The director of stewardship leads the core stewardship team and reports to our executive management team, which consists of the chief investment officer and CEO, the president, the director of research, and additional senior leaders who represent our primary business areas. This reporting relationship helps to support our organizational alignment with our stewardship policies and processes and keeps senior leaders informed about our program developments.

DEDICATED STEWARDSHIP INVESTMENT PROFESSIONALS

	Karin Riechenberg Director of Stewardship	**Ashley Patton** Stewardship Analyst	**Christopher Jenkins** Sr. Proxy Specialist	**Saeyeon Kwon** Research Associate, Stewardship	**Amir Reda** Portfolio Specialist, Stewardship
Primary Responsibilities and Sample Projects	• Strategy and oversight • Liaison with executive management team and other departments • ESG generalist	• Modern slavery mitigation project • Engagements coordination • Regulatory research and reporting • Firmwide stewardship updates	• Proxy voting process • Proxy data integration and dashboards • Corporate governance research • AI governance and digital ethics research	• ESG data initiatives • Regulatory research and reporting • Portfolio climate analysis	• Stewardship client reporting • Regulatory reporting requirements • Firmwide emissions accounting
Certifications	• CFA Institute Certificate in ESG Investing • SASB Fundamentals of Sustainability Accounting credential • GRI Standards Exam	• CFA Institute Certificate in ESG Investing • SASB Fundamentals of Sustainability Accounting credential			• CFA Institute Certificate in ESG Investing
Education	• Johns Hopkins University MA | International Economics and International Relations, School of Advanced International Studies • University of Exeter BA | International Relations and Russian	• Johns Hopkins University MA | International Economics and International Relations, School of Advanced International Studies • University of North Carolina at Chapel Hill BA | Political Science and Global Studies	• George Mason University MBA | Costello College of Business • George Mason University BS | Finance	• Georgetown University MS | Environment and Sustainability Management • George Mason University BA | Global Affairs	• St. Mary's College of Maryland BA | Political Science

Cross-Functional Stewardship Group

Our cross-functional stewardship group provides higher-level strategic oversight of stewardship activities.

The group is cross-departmental and includes staff with diverse functional knowledge who are committed to ESG research integration, active ownership, and stakeholder communications. The team meets every other month to discuss progress and new objectives in areas such as:

- Policy and strategy formulation.
- Education and training.
- Tools and infrastructure development.
- Legal and regulatory compliance.
- Collaboration with external partners.

Stewardship Analyst Council

Our stewardship analyst council is a platform for our research professionals to meet quarterly to share best practices and identify opportunities for improvement. We believe this platform has demonstrated to be a powerful way to elevate the knowledge of our professionals and enhance consistency in our research approach.

Training

At Sands Capital, we embrace a culture of continuous learning and development, understanding that there are always ways we can improve. We aim to stay current with industry developments and encourage creative thinking and problem-solving.

New hires at Sands Capital undergo a series of orientations from human resources, compliance, and other teams to help integrate them efficiently into the firm. After integration, staff members engage in ongoing training throughout their tenure on topics such as new policies being implemented by the U.S. Securities and Exchange Commission (SEC) and how to maintain Equal Employment Opportunity compliance and uphold a respectful workplace for all.

Aside from the training held at Sands Capital, staff members also have access to a wide variety of external training and development opportunities, which they can discuss during personal development conversations with management. Staff members are encouraged to pursue certifications or ongoing education in their field, as well as to attend conferences, seminars, or professional coaching sessions.

Several teams conduct annual off-site events to build professional relationships among the team. We host a variety of speakers throughout the year, sometimes for the entire firm and sometimes for specific teams. Training focuses not only on developing hard and soft skills but also on our staff members' well-being.

Training and Ongoing Education Events From the Past Year Include:

Business surveillance roundtable hosted by ISDE (January 2024)

Participants: Investment team

AI governance training, exploring the practical implementation of responsible AI and how to incorporate such considerations into company research and engagement (February 2024)

Participants: Entire firm

Decarbonization information session with Blue Dot Capital[7] (February 2024)

Participants: Portfolio specialists and head of marketing and communications

Modern slavery training with Slave-Free Alliance (December 2024)

Participants: Entire firm

7. Blue Dot Capital partners with investment management firms, with a primary focus on private markets, to support the development and execution of sustainable investing capabilities and products.

Our Efforts to Promote Diversity of Thought

We believe diversity of thought brings value to our investment research and our overall culture. Sands Capital operates as a meritocracy and strives to foster a culture that is inclusive of many backgrounds, perspectives, and experiences.

Each member of the investment team brings a different viewpoint when vetting new ideas or changes to the portfolio. Our tightly integrated, team-based approach to conducting research provides a global context through which ideas are sourced and openly challenged. Importantly, the research team is constantly learning, not only from its research efforts but also from one another through rigorous and honest debate.

At the firm level, we engage in efforts to promote an inclusive workplace. Examples of these efforts include, but are not limited to:

- Creating an annual affirmative action plan to track our hiring, promotions, and terminations across gender and race—the results of which are used to raise awareness of the areas in which further review is warranted.
- Requiring all staff members to participate in Equal Employment Opportunity compliance and respectful workplace training, which includes educating our staff members about professional conduct relative to equal employment, as well as an education section for managers.
- Providing medical and dental benefits that support domestic partnerships and implementing a parental leave policy (removing the previous gender-focused maternity and paternity leave policy).
- Engaging in events to improve inclusion—including several small-group events with members of our executive management team, in which staff members participate in off-site events with a member (or members) of the team to encourage more interaction between different levels of staff.
- Hosting team-building events to develop relationships between staff at all levels and roles.
- Widening our recruiting funnel to promote more inclusion of underrepresented demographic groups by partnering with strategic recruiting partners.
- Preparing and communicating best practices for recruiting and interviewing in an effort to improve our search, selection, and onboarding processes.
- Implementing a mentorship program for our junior and mid-level analysts on the investment team.

Firmwide Representation of Our Associates[8]

44%

Female

56%

Male

30

Countries associates were born in

30

Languages spoken

8. As of December 31, 2024.

Encouraging Effective Stewardship Through Incentives

Our investment staff is incentivized to integrate ESG factors into their investment analysis and support the trajectory of our portfolio businesses through active ownership. This support is achieved by providing feedback to management teams on issues we believe are material to the investment case and by voting against management recommendations that do not serve the best interests of long-term investors, including our clients. We explicitly include a focus on stewardship, including ESG integration, in analyst and portfolio manager compensation by annually evaluating the effectiveness of each investment professional's stewardship efforts.

4 Approach to ESG Integration

Our analysts evaluate the material ESG factors and practices of our businesses, which we believe are essential to assessing a company's long-term risks and opportunities.

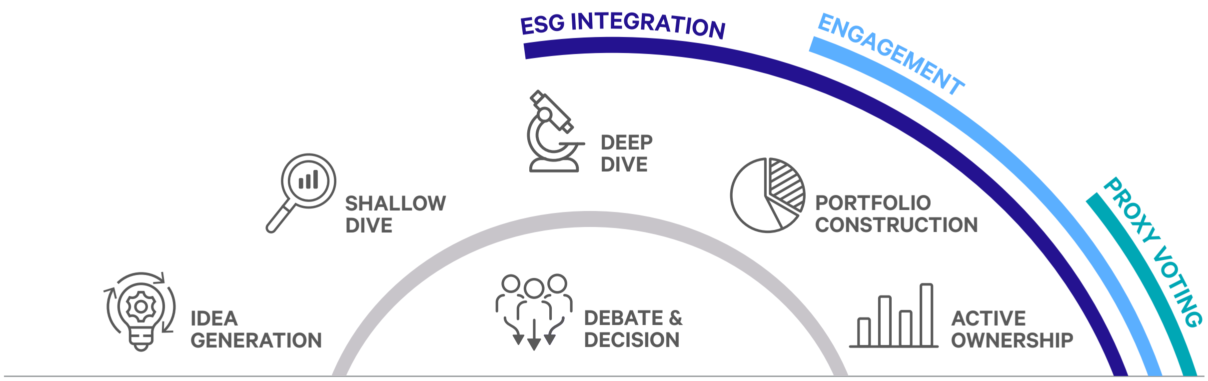
When our analysts leverage their deep domain expertise, we believe they can best understand the context of these ESG factors at the various stages of a company's growth curve.

As active, long-term growth investors, we focus primarily on the sustainability of growth over time. Therefore, it's logical that we consider ESG business practices both as matters of risk that could impair growth and as opportunities that could enhance growth. We believe this balanced perspective enables us to make investment decisions that both align with our investment beliefs and provide greater value to our clients and other stakeholders.

We believe ESG factors are implicit in the six investment criteria we use to select businesses.

To gain a comprehensive understanding of a company's risks and opportunities, we believe it is essential to integrate our analysis of ESG practices directly into the fundamental research process. By leveraging their deep domain knowledge and through the support of our core stewardship team, our research analysts are best able to put into context the ESG risks and opportunities that are materially relevant to our portfolio companies. We find this context-setting especially important when looking at innovative growth companies, which, in their early stages, may present different investment considerations than mature businesses.

THE INTEGRATION OF ESG IN OUR RESEARCH



IDEA GENERATION

Our ideas spring organically from our deep domain experience and extensive networks in public and private markets. Some of our ideas are linked to sustainability trends, such as the electrification of automobiles.

SHALLOW DIVE

We evaluate a business' fit with our six investment criteria and develop a preliminary hypothesis. Only our highest-conviction ideas continue beyond this stage. As we begin to build our mosaic for each business, we may identify ESG risks and opportunities that could materially impact investment outcomes and warrant greater understanding in the next stage of research.

DEEP DIVE

We conduct extensive, bespoke research to understand innovation, addressable markets, and competitive advantages that can enable businesses to grow long-term shareowner value creation for many years into the future. The lead analyst is expected to prepare an ESG report, including a materiality assessment and opportunities for engagement, on each business held in our clients' portfolios.

PORTFOLIO CONSTRUCTION

Businesses are conviction-weighted with the goal of maintaining a concentrated, unconstrained portfolio of our best ideas. Analysts closely monitor the companies under their coverage on an ongoing basis, noting any material changes in the ESG profile or significant controversies.

ACTIVE OWNERSHIP

We purchase most businesses with the intent to own them for five years or more. As part of our ongoing research, we engage with companies to discuss our views on issues relevant to long-term value creation. We exercise our voting responsibility by thoughtfully evaluating each company proxy and by using information learned in discussion with management and other relevant research to inform our voting decisions.

DEBATE & DECISION

Analysts and portfolio managers collaborate to develop key questions and conduct on-the-ground research throughout our process. Teams work together to ensure that we've evaluated every material concern and validated our investment criteria. Decisions are made by portfolio management teams over many rounds of debate, using a consensus-driven approach that relies heavily on analyst expertise.

Analyst-Led ESG Integration

Research analysts are responsible for identifying the materiality of each issue for the businesses they cover. We believe deep domain expertise and company-specific knowledge allow our investment professionals to make appropriate judgments about which ESG factors could have the greatest impact.

We do not employ top-down ESG ratings or rankings in our approach. While we use third-party research, such as MSCI ESG Research and Sustainalytics, to flag areas of concern, we do not rely on it. We believe third-party research often lacks context and is constructed to measure a set of standardized attributes, some of which can sometimes be misleading. We believe it is far more important to understand the intentions and directionality behind practices and actions. We consider the context for each business when determining the ESG issues that matter to each investment case. We also look at these ESG factors' relative importance in expected business outcomes and long-term investment results.

> In our experience, the risks and opportunities posed by ESG factors vary depending on the region, industry, and company.

These insights can only be gained through fundamental research and actual engagement, not simply metrics. We think our analysts are best able to judge how we should evaluate our portfolio businesses in the present and as they evolve during what is often our longtime partnership.

Our approach contrasts starkly with the more formulaic system of box-checking used in much of the industry. That approach is often viewed as backward-looking and may not factor in the nuances associated with actual companies.

At Sands Capital, we approach ESG analysis with three primary objectives. We expect ESG analysis to inform our:

- **Investment cases**, enabling us to build conviction in businesses and add value for our clients.
- **Clients**, enabling them to understand how ESG factors fit into the broader context of our capital allocation decisions.
- **Portfolio businesses**, enabling management teams to benefit from our long-term shareowner perspective through active engagement.

Incorporating Material ESG Issues Into Investment Analysis

Our research analysts produce proprietary ESG reports that assess the relevant factors affecting portfolio companies under their coverage. Based on the materiality assessment, they identify opportunity and risk topics that will be addressed during our engagements with boards and management teams. Research analysts are expected to update these reports regularly or in response to a significant controversy or ESG-related impairment to the business. Analysts may leverage the expertise of the core stewardship team in this process.

We have also integrated some of our data streams into centralized stewardship dashboards. Our company-level ESG dashboard aggregates key material information about our portfolio companies. Our engagement dashboard, proxy dashboards, portfolio-level ESG dashboard, and principal adverse impacts dashboard support our analysts and portfolio management teams in addition to enabling better client reporting.

Proprietary ESG Report Example

Our Proprietary Analyst ESG Reports for Portfolio Businesses Include:

- Analyst Summary.
- Governance Analysis.
- Key Things That Matter to Us.
- Engagement Opportunities.
- MSCI Key Risk Responses.*
- Sustainability Accounting Standards Board (SASB) Materiality Map.
- Climate Change/Task Force on Climate-related Financial Disclosures (TCFD) Assessment.

Case Study:**

In the case of a consulting and engineering firm in the United States, among other items, we assessed:

Key Things That Matter to Us

- Strong management and governance practices.
- Ecological impacts.
- Product quality and safety.

Engagement Opportunities

- Data management.
- CEO duality.
- Human capital management.

*MSCI Key Risk Responses are included only for companies scoring BB or lower.

**The views expressed are the opinion of Sands Capital and are not intended as a forecast, a guarantee of future results, investment recommendations, or an offer to buy or sell any securities. The views expressed were current as of the date indicated and are subject to change. You should not assume that any investment is or will be profitable. Past performance is not indicative of future results.

Case Studies

The case studies on the following pages demonstrate how integration of stewardship into the investment process is different for companies in various regions and industries.

Business: Nu Holdings operates Nubank, a digital financial services platform that serves millions of customers in Latin America. Nubank began as an online credit card issuer in Brazil and now offers a full suite of financial services to a large portion of the country's adult population.

Strategies: Emerging Markets Growth, Scaling Innovators, Select Growth, and Technology Innovators.

Material Issues

Financial Inclusion: Access to financial services is a challenge for significant portions of the population in Latin America, and Nubank's ability to deliver low-cost credit, investment, and insurance products can materially improve the financial well-being of its users.

Data Security and Privacy: Nubank handles large quantities of sensitive financial data for its customers and could incur reputational damage, loss of customers, and/or litigation if this data is breached or misused.

Systemic Risk Management: The executive board has oversight of climate-related risks and opportunities. Nubank publishes a Social and Environmental Responsibility Policy that guides the company's operations in Brazil, including its climate-related decision-making.

Engagement Opportunities and Result

Board Structure and Shareholder Rights: We will consider providing feedback to management in support of eventually establishing sunset provisions for class B shares and the separation of the CEO and chairperson roles. Given that the company is still in its formative stages as a public company, the urgency to make these governance transitions is not high.

Regulatory Risk: Because Nubank is a lending business in markets with relatively low financial literacy, we plan to monitor product safety and associated regulatory risk. However, we believe Nubank is likely to continue encouraging safe and responsible use of its financial products rather than engaging in misleading or predatory practices.

Encouraging Different Perspectives: We believe a range of perspectives can lead to better outcomes. One way this could be achieved is through Nubank adding qualified directors who are women to its board.

zalando

Business: Zalando is the largest ecommerce apparel retailer in Europe, based on market share. The company focuses on selling full-priced, in-season merchandise from leading apparel brands. It operates in 23 countries.

Strategies: International Growth and Global Growth.

Material Issues

Product Design and Lifecycle Management: Zalando is taking steps to lead the fashion industry in sustainability efforts. The company promotes pre-owned clothing on its platform, aims to increase its percentage of gross merchandise value from more-sustainable products, and has restated its vision to be a sustainable fashion platform with a net-positive impact on people and the planet.

Employee Engagement: Since 2020, the company has provided training and educational opportunities to over 9,000 people, helping prepare employees for an evolving job market. These opportunities have focused on major trends the company believes will define the future of work.

Energy Management: Zalando's supply chain may be affected by regulation of resource usage. The company mandates that all brands selling on its platform use the Sustainable Apparel Coalition's tool for reporting against environmental standards. Additionally, suppliers must undergo a third-party audit to verify adherence to labor standards.

Engagement Opportunities

Privacy Data and Security: We believe the company should get credit for conducting an external independent audit annually. Zalando is working to improve external disclosure regarding data security, so that external ESG data vendors will properly recognize its process.

Executive Compensation: Executive compensation is a topic about which we've engaged with Zalando in the past, and the company has considered our feedback to improve it. We plan to engage the company further on the topic—specifically providing feedback about extending its long-term incentive plan and including a total shareholder return metric.

Aligning Sustainability and Financial Goals: We will continue to monitor the company's progress of seeking to achieve its sustainability goals. It's important to have a commitment to sustainability, but we also believe these goals should remain in line with the company's economic objectives.

Business: Roblox is a leading gaming development and distribution platform. Roblox provides developers with a game engine, a publishing and distribution platform, and customer acquisition in exchange for a commission based on revenues generated by each game.

Strategies: Select Growth and Technology Innovators.

Material Issues

Retaining Talent: Product and engineering staff make up 75 percent of Roblox's full-time workforce, and its reliance on highly skilled talent may pose attrition risks. However, our research suggests the company has no trouble attracting top talent in a competitive hiring market.

Carbon Emissions: Roblox is at the forefront of leveraging AI for content moderation, a use case that enhances its ability to manage and scale safety operations. As the adoption of AI expands, sourcing energy from renewables is becoming increasingly important.

Competitive Behavior: The network effects of Roblox's model lead to lower customer-acquisition costs and high levels of engagement, driving its advertising opportunity and competitive advantage. However, this distinguishing feature could subject the company to scrutiny from regulators.

Engagement Opportunities

Child Privacy and Safety: The majority of Roblox's users are children. This presents unique challenges for the company in terms of compliance with existing privacy and data security regulations, as well as preparation for potential future regulations. In surveys we conducted with parents, Roblox was perceived as significantly safer than platforms such as Fortnite and YouTube, and marginally safer than Facebook and Instagram.

Transparency and Disclosure: Roblox provides limited disclosures on its ESG practices, and does not include anything about its emissions intensity. We believe the company should provide more disclosure on this topic.

Corporate Governance: MSCI has flagged the company for several governance issues, including concerns about an entrenched board and directors who sit on too many boards.

5 Promoting Well-Functioning Markets

As active, long-term investors in innovative growth businesses, our strategies and tools aim to effectively identify and address marketwide risks. These practices help us protect client capital, navigate challenging market environments, and contribute to the promotion of well-functioning markets.

In our view, a well-functioning market enables participants to allocate capital efficiently, facilitates sustainable economic growth, and creates opportunities for wealth generation and risk management. Factors that might disrupt the proper functioning of markets include:

- **Short-termism and misaligned incentives:** These market distortions arise from misaligned incentives at the business or individual level that, collectively, can cause misallocation of capital. At a business level, examples include an overemphasis on quarterly results. At an individual level, these distortions can look like a poorly designed executive compensation structure.
- **Marketwide risks:** Although these dislocations may eventually be corrected by the market, they can increase volatility and cause misallocation of capital in the short term. Examples include interest rate, currency, and inflation fluctuations; geopolitics; and trade disruptions.
- **Systemic risks:** The market may not automatically correct for these risks because of misalignment in cost incentives (so-called externalities), because of the long-term nature of the risk, or due to a lack of understanding and transparency about the issue. Many of these risks are particularly relevant for our clients who are universal asset owners, meaning these risks have implications for their entire portfolio and, in some cases, their beneficiaries directly. Examples include climate change, modern slavery, and digital ethics.

We believe that we promote well-functioning markets through our active management style and deep, fundamental investment analysis, as well as our stewardship practices.

Threats to a Well-Functioning Market	How We Address Them
Short-termism and misaligned incentives	• We focus on the key factors that matter to the success of an investment case instead of focusing on short-term noise. • We exercise active ownership through engagements and proxy voting.
Marketwide risks	• We examine companies through our six criteria. • We apply our macroeconomic frameworks in the research process. • We build conviction-weighted and diversified portfolios.
Systemic risks	• Conducting thematic research and applying it to our investment views and engagement. • Collaborating with other organizations in the industry.

Promoting Well-Functioning Markets Through a Long-Term Approach

We believe our investment approach, characterized by deep, business-focused research and active ownership, promotes well-functioning markets in two key ways.

First, we leverage our fundamental research capability as we aim to identify the best growth businesses globally. Conducting thorough research and analysis of investment opportunities enables us to identify mispriced assets and contribute to price discovery in the market. Because earnings growth tends to be a predominant driver of stock returns over time, our six investment criteria are designed to steer us toward the few businesses capable of sustaining above-average growth over periods of five or more years.

By applying a business owner's mindset—as opposed to a stock trader's—we focus on understanding the potential magnitude and durability of growth drivers for each business. We are willing to accept short-term stock price volatility in exchange for the potential to generate significant wealth over the long term. While price-to-earnings multiples can help or hurt in any given year or environment, over the long run, fundamentals tend to drive the bulk of our investment results. In our experience, attempting to time the market typically does not add value to our investment process.

Second, we hold companies accountable to investors by engaging with them, promoting transparency, and advocating good governance practices. We do this over a multiyear period, thereby encouraging companies to prioritize matters that contribute to long-term shareowner value creation over short-term interests. We also advocate for strong executive compensation practices that include long-term incentives, thereby helping align the interests of management with those of long-term shareholders.

Active Ownership Case Study: ServiceNow

For several years, we have engaged with the ServiceNow board on executive compensation. Based on these conversations, we believe the company has established a long-term incentive plan that appropriately balances time-based and performance-based stock awards. The plan relies on key business indicators, including net new annualized contract value, operating margin, and subscription revenue. In addition, the company provides sufficient disclosure for us to assess whether the board is setting appropriately rigorous performance targets for management.

Our views have not always aligned with those of proxy advisory firms or other shareholders. For example, some proxy advisors considered net new annual contract value too short-term a metric. We disagreed because ServiceNow's high retention rates mean that each new contract effectively contributes to long-term recurring revenue. In 2023, the company addressed this feedback by replacing that metric with subscription revenue, a change that we believe reflects the board's willingness to respond thoughtfully to stakeholder input.

Proxy advisors also flagged the company's 2023 decision to remove total shareholder return from the long-term incentive plan. We disagreed with that concern as well. In our view, long-term incentive plans should focus on factors within management's control, rather than outcomes like stock performance that can be heavily influenced by external events—as demonstrated in 2022.

The company also extended the vesting period for performance-based restricted stock units from two to three years and moved from annual vesting to a three-year cliff structure.[9] We believe these updates enhance alignment between executive incentives and long-term value creation.

While we support the current plan design, we will continue to monitor its evolution and management's progress toward stated targets. In our view, this type of independent analysis helps promote well-functioning markets by ensuring company-level incentives align with the interests of long-term shareholders.

9. Cliff vesting occurs when an employee becomes fully entitled to their benefits on a specific date rather than gradually becoming partially vested over time.

Identifying and Addressing Marketwide Risks

We aim to address marketwide risks through a comprehensive risk evaluation process that incorporates our six investment criteria, a macroeconomic framework, and our portfolio construction strategy.

We believe market risks can be broken down into three key sources of risk:

1. **Business risk:** Addressed through our six investment criteria and deep proprietary research.
2. **Macroeconomic risk:** Addressed through our macroeconomic framework.
3. **Portfolio-level risk:** Addressed through:
    - Diversification by geography, industry, etc.
    - Monitoring of overlapping growth drivers.
    - Liquidity management.
    - Valuation through our expected returns frameworks.

Over our long-term investment horizon, we will inevitably face some macroeconomic challenges. We aim to identify the businesses that have the financial strength not only to survive these periods but also to thrive and become stronger by expanding their addressable markets and taking marketshare from their competitors.

Marketwide Risk Case Study: Reducing Geopolitical Risk Through Diversification

Geopolitical tensions remained a defining feature of the global landscape in 2024. Ongoing conflicts in Ukraine and the Gaza Strip continued to weigh on market sentiment. At the same time, shifting trade policies and new regulations added to the complexity of global investing. More than 1.6 billion people voted in 74 national elections throughout the year. Many incumbent governments faced setbacks—most notably in the United States, where the Democratic Party lost the presidency and majorities in both chambers of Congress to the Republican Party. The subsequent tariff threats by President Donald Trump introduced added uncertainty, contributing to market declines across several major indexes.

At Sands Capital, we focus on bottom-up research, but also recognize the need to understand broader geopolitical developments and their potential impact on long-term business performance. We believe thoughtful diversification—not only across regions but also across business models and supply chains—is critical to building portfolio resilience in the face of geopolitical volatility.

This philosophy guided several key decisions. In early 2022, we exited all direct exposure to Russian companies and have since maintained indirect exposure at less than 1 percent. More recently, we've taken steps to improve the stability and visibility of portfolio earnings growth by expanding into new countries and industries in which we've identified businesses that meet our investment criteria.

Taking a more holistic view enhances our long-term, fundamental research process. It helps us identify factors that could influence a company's ability to sustain above-average earnings growth and recognize businesses that may gain significant competitive advantages due to a changing global order.

Geopolitical uncertainty will continue to shape the investment landscape. By staying attuned to evolving dynamics, we aim to better understand the risks—and opportunities—that such shifts present for the businesses we own.

Macroeconomic Risk Frameworks

Our macroeconomic risk frameworks complement our fundamental, business-focused research. They often add value to portfolio construction by enhancing our ability to identify exceptional businesses while mitigating risk.

By measuring a country's relative attractiveness, we seek insight into the economic context in which a business operates. Our individual country frameworks draw on research into the key macroeconomic drivers and trends that tend to determine the sustainability of the country's economic growth rate, its fiscal and monetary health, and its political governance. They help us zero in on the factors that affect the country's long-term economic outlook and the ways those factors change over time.

We then classify countries as attractive, stable, or vulnerable. All else being equal, we prefer companies that operate against what we view as attractive or stable macroeconomic backdrops, in addition to fitting well with our six investment criteria. In our experience, these businesses are better equipped to sustain long-term fundamental growth.

Our frameworks aren't precise forecasts, nor are they designed to help time the market or to dictate our investment decisions. Rather, they provide insights that help us gauge risks, opportunities, and the direction of change in a market over our investment horizon. They help us identify multiyear structural trends that can potentially support above-average earnings growth and stable-to-strengthening local currencies, which in turn can help lay the groundwork for special businesses to create wealth over long periods.

Systemic Risk Case Study: The Environmental Toll of AI's Rapid Rise

The exponential growth of AI is accelerating energy consumption across global data centers, raising alarms about the environmental and systemic risks tied to its rapid expansion. While these facilities serve as the backbone of today's digital economy, their soaring power needs and cooling requirements are creating mounting challenges for energy grids, climate policy, and sustainability efforts.

Data centers currently consume 1 percent to 2 percent of global electricity. That figure could rise to between 3 percent and 4 percent by 2030, driven largely by AI workloads. High-performance computing required for training and running AI models, particularly those powered by graphics processing units, demands significantly more energy than traditional computing systems. Cooling those systems compounds the problem, with up to 40 percent of electricity usage dedicated to temperature control.

The trajectory of rising electricity use is steep. Global data center electricity use is projected to reach 1,000 to 1,200 terawatt hours by 2030—a 16 percent annual growth rate. In the United States, data centers could consume as much as 9 percent of the nation's total electricity generation by 2030, more than double current levels. These rising demands are already straining local grids, especially in regions with dense data center clusters, such as Northern Virginia, where data centers could account for 40 percent of electricity usage by 2040.

Water consumption adds another layer of complexity. Many centers rely on evaporative cooling systems, consuming billions of gallons of water each year. In drought-prone regions, this practice has raised concerns among regulators and local communities. Some operators have started reusing treated wastewater, while others are exploring liquid immersion and alternative cooling technologies to curb their reliance on fresh water.

To address energy sourcing challenges, operators are increasingly turning to on-site generation through solar and battery storage. However, solar alone cannot provide the reliable, round-the-clock power that AI infrastructure demands. As a result, many firms are supplementing

renewables with natural gas or evaluating longer-term options such as nuclear energy. Small modular reactors are being considered by large technology firms, though these solutions remain years away from widespread adoption.

In the short term, many companies have leaned on carbon offsets and renewable energy certificates to meet emissions targets. However, growing scrutiny over the effectiveness of these instruments is pushing firms to pivot toward more credible strategies. Alphabet, for example, has moved away from cheap offsets and now emphasizes carbon-free energy matching on an hourly basis. Others are investing in carbon removal technologies, such as direct air capture and nature-based solutions, to address residual emissions.

Regulatory momentum is building. The European Union's AI Act encourages the development of standards for measuring and improving the energy efficiency of AI systems, particularly high-risk and general-purpose models. Meanwhile, countries with limited electricity grid capacity, such as Ireland, have begun denying data center permits, signaling a broader shift toward more stringent environmental oversight.

As AI becomes more embedded in every aspect of the global economy, aligning infrastructure expansion with sustainability goals remains a complex and pressing challenge. Balancing innovation with environmental stewardship will be critical to ensuring the digital future does not come at the cost of the planet.

Portfolio Construction

Our portfolios are intentionally structured to be concentrated and conviction-weighted, as we believe this approach allows us to provide clients with magnified exposure to the businesses we find most compelling.

We also seek to diversify our portfolios across growth stages and end markets to mitigate the risk stemming from shocks that have outsized effects on any particular industry or geography. Finally, we employ an expected-return framework, which helps us monitor valuations and avoid overpaying.

Throughout this process, our decisions are informed by our risk analytics team. Through quarterly meetings and ongoing monitoring, the team works in conjunction with the portfolio managers to observe correlations between stocks, crowding, factor exposure, and macroeconomic sensitivities via data from MSCI Barra. The risk analytics team continues to build dashboards to monitor both fundamental (multiples, proprietary estimates, etc.) and risk data. We are continually evaluating how best to apply these analytics to inform our decision-making process, with a current focus on awareness of extremes and identifying businesses that may incrementally reduce or increase portfolio-level risk.

We also view benchmark-relative risk, which is often defined as tracking error, as a secondary consideration. Our decision-making process emphasizes absolute, business-level conviction rather than allowing active weights relative to the benchmark to determine position sizing. However, an awareness of diversification across growth stages (i.e., durable growth versus emerging growth), end markets, and geographies helps constrain tracking error.

Identifying and Addressing Systemic Risks

Over the past three years, we have identified three systemic risk areas in our stewardship work: climate change, modern slavery, and digital ethics.

We identified these risk areas because one or more of the following applied:

- They represent a systemic risk as defined above (externality, time horizon challenge, or poorly understood).
- They affect companies across all our portfolios, albeit in different ways.
- They are of particular interest to many of our clients, often including those who are universal asset owners.

We aim to address these systemic risks by:

- Building internal capacity through research, tools, data, and training.
- Engaging with our portfolio companies.
- Collaborating with other investors to build knowledge, participating in conferences, and contributing to the conversation with our thought leadership.

More recently, we have observed that these systemic risks are increasingly intersecting and interacting.

We already outlined the environmental impact of AI, which sits at the intersection of our digital ethics and climate change themes.

Another intersection is the relationship between AI, digital ethics, and modern slavery. For example, companies increasingly use so-called ghost workers—low-paid, often hidden contract workers who perform essential but invisible tasks—for data cleaning, coding, and classifying content in order to train AI models. This work is usually platform-based and opaque. Workers often have no point of human contact and lack labor protections, which raises the risk of exploitative labor practices.

One of the outputs from our research collaboration with Investors for a Sustainable Digital Economy (ISDE) in 2024 was a report the group produced on how AI, digitalization, and automation are changing the nature of work and how these systemic trends might affect investors.

As these systemic risks continue to evolve and intersect, and as new trends emerge, we will continue to adapt how we assess and manage these risks, using a combination of research, engagement, and industry collaboration.

Case Study: Intersection of Our Engagement Themes

Our engagement with Uber highlights the intersection of labor exploitation and digital ethics within platform-based work. We began dialogue with the company following reports of underage workers using Uber Eats accounts obtained through third parties. This is an issue linked to the U.K.'s "right to substitute" clause in employment contracts. This raised concerns about exploitative labor practices, particularly for young workers in platform-based, opaque employment arrangements.

In response, Uber outlined several measures it has taken to mitigate these risks. These include real-time identification checks and the deactivation of accounts used in unauthorized ways. The company emphasized that all substitute workers must meet strict legal requirements and that it is collaborating with industry peers and regulators to tackle these systemic challenges.

This engagement underscored the evolving risks tied to digital labor platforms and the importance of proactive safeguards. It also offered insights into how companies are addressing the broader implications of flexible work models—particularly the need to ensure worker protections in increasingly fragmented employment arrangements.

Climate Change

At Sands Capital, we recognize climate change as a systemic risk that may affect us as active, long-term investors. Climate-related physical and transition risks can manifest over many years. These risks may fundamentally alter economies and present threats and/or opportunities to portfolio companies' capacity to create long-term value for shareowners. Therefore, we aim to integrate the analysis of these risks and opportunities into our company research. We may also act on the conclusions of our analysis by engaging our portfolio companies when relevant.

During the reporting period, we continued our efforts to learn more about climate change, train our employees, and incorporate climate change analyses into our investment process. This approach included expanding our research into investment opportunities driven by the global transition to a lower-carbon economy.

Qualitative Company-Level Analysis

Climate change and the transition to a lower-carbon economy will likely affect many of the companies in our investment universe. Our internal ESG reports include a dedicated climate change section modeled on the Task Force on Climate-related Financial Disclosures (TCFD) framework. We analyze both climate risks and opportunities, as well as company strategy and target setting. The aggregate output of this research can be seen in Exhibit A on page 51.

Tools, Metrics, and Assessments

- **Portfolio mapping:** We regularly map our four flagship strategies' climate targets against three categories: approved science-based targets (SBTs), non-SBT emissions reduction targets, and no targets. Categorizing portfolio companies based on their emissions targets, in part, helps us prioritize engagement with companies.
- **Climate Value-at-Risk (CVaR) tool:** The MSCI CVaR tool measures climate-related risks and opportunities based on the TCFD recommendations. The MSCI ESG research assesses a company's Scopes 1, 2, and 3 emissions data as well as physical risks and opportunities. The research overlays it with climate policy outlooks and future emission reduction price estimates to create a financial impact model. The core stewardship team leverages CVaR modeling to flag portfolio companies for engagement and to better understand a sector's overall climate-related challenges.
- **Carbon Footprint Calculator tool:** This MSCI tool provides metrics for companies based on their carbon emissions, carbon intensity, and weighted-average carbon intensity. The core stewardship team uses these carbon intensities to identify which companies to target for engagement. We also report portfolio carbon metrics in the quarterly reports we distribute to our clients.
- **Engagement:** Using both company-level qualitative analysis and quantitative portfolio-level data on carbon and targets, we identify companies that are most exposed to climate-related risks and seek to engage with them. Through these engagements, we aim to understand management's intentions about how it assesses climate-related risks, whether it plans to disclose carbon emissions, and, where relevant, how it might approach decarbonization.

We understand companies are at different stages, depending on their size, industry, geography, and corporate governance. Our company engagements will generally be guided by key considerations, to the extent they are financially material, including:

- **Decision-useful information disclosures:** We typically support companies to disclose material climate-related risks, as well as emissions, in line with global best practices. The TCFD standards, which have been taken over by the International Financial Reporting Standards (IFRS) Foundation and incorporated into the International Sustainability Standards Board (ISSB) reporting standards, provide a guide for climate disclosures, and we believe companies should use them.
- **Governance, awareness, and management of climate risk:** We may engage with companies to evaluate and understand their overall governance, awareness, and management of climate risks and potential opportunities.
- **Emissions reduction strategies:** We may engage with companies to understand and assess the effectiveness and progress of their emissions reduction strategies, including the development and implementation of SBTs.

Climate Change Case Study

mercado libre

Business: MercadoLibre operates the largest ecommerce and payments platform in Latin America, based on market share.

Key Issue: Environmental policy and strategy.

Strategies: Emerging Markets Growth, Global Focus, Global Growth, International Growth, and Technology Innovators.

MercadoLibre is described by some as the "Amazon of Latin America," and we believe that's for a good reason. The company is an ecommerce platform that consisted of a network of 218 million unique active users in 2023. During that year, MercadoLibre's fulfillment network shipped 650 million items, a 45 percent increase over the previous year. We anticipate the company's logistics network will bolster its ecommerce competitive advantage in Latin America. This will allow MercadoLibre to continue to deliver affordable goods quickly, which will benefit the company's buyers and sellers.

Large logistics networks also have a sizable environmental impact. MercadoLibre is one of the largest contributors to carbon intensity in several of our strategies. Consequently, we took the opportunity during a recent meeting with the company to discuss its environmental policy and strategy.

MercadoLibre's Carbon Management

MercadoLibre previously committed to the Science Based Targets initiative (SBTi). That standing changed earlier this year, when SBTi removed MercadoLibre's net-zero commitment from its target dashboard, citing the company's lack of carbon emissions reduction targets. We discussed this status change with representatives at MercadoLibre because, in our view, it raises questions about the company's approach to setting and achieving science-based climate targets.

MercadoLibre's investor relations team indicated the company spent the last two years trying to work with SBTi's methodology but could not come up with appropriate emissions reduction targets. MercadoLibre had initially committed to developing a near-term emissions reduction target. However, SBTi's near-term targets require companies to roughly halve emissions before 2030. Management at MercadoLibre determined it is better served by looking at other methodologies for decarbonization, so it will continue to invest in alternative environmental strategies that align better with its business. We plan to monitor MercadoLibre's progress on its emissions and decarbonization efforts, which we view as advancing despite the company's SBTi commitment removal.

More Solutions for Environmental Impact

As part of its overall environmental strategy, MercadoLibre has committed to powering all of its distribution centers with renewable energy by 2035. The team at MercadoLibre suggested this target is less dependent on external factors than the approach required by SBTi, so management felt more comfortable disclosing this goal than a near-term emissions reduction target. These representatives also detailed MercadoLibre's conservation and regenerative work as well as its involvement with Pachama, a company that uses satellite data and AI to monitor and protect ecosystems. The company reiterated that it does not view this work as offsetting its carbon emissions and does not include these projects as part of the company's footprint. Rather, it wanted to focus on regenerating natural areas in which the company does business. We are glad to see the company taking steps to offset its environmental impact, given the large footprint of MercadoLibre's logistics network.

Training and Events

To continuously improve our understanding of how climate-related issues affect our portfolio companies, we are committed to training and education. Examples of this include:

- Two members of the core stewardship team attended several events during Climate Week NYC 2024 and engaged with peer practitioners at these events relevant to asset owners and managers.
- A member of the stewardship team attended the S&P Global Datacenter and Energy Innovation Summit 2024 in Washington, D.C., focusing on the latest trends and developments in the data center industry, with a specific emphasis on the impact of AI on energy consumption.
- A member of the stewardship team attended Georgetown University’s McDonough School of Business 2024 Leadership and Innovation Summit on the Energy Transition.

Gauging the Potential Climate-Related Financial Impacts on Our Portfolio

Exhibit A on page 51 showcases how our analysts have assigned portfolio companies within the flagship strategies a low, medium, or high assessment across a set of predefined categories of climate-related risks and opportunities. The categories are based on the TCFD recommendations. This overall representation allows the core stewardship team to gauge the potential financial impacts of climate change on our portfolio for 2024 and to compare them with impacts over the previous years.

Transition Risk

As asset managers, we understand the risks and opportunities associated with the transition to a lower-carbon economy. Our investment approach tends to lead us to own companies that are comparatively asset-light and, by extension, have lower carbon emissions. The weighted-average carbon intensity (WACI) of our strategies is substantially lower than the benchmarks’,[10] as seen in Exhibit B on page 52. Our strategies are at low risk of value loss due to stranded assets.[11] Despite low carbon intensities within our portfolio, we do have outliers, which are highlighted in Exhibit D on page 53. We continue to seek to understand the nature of these outlier businesses and engage with management to lower emissions and adapt to climate change.

While we value using tools and data for gauging the impacts of climate change on our portfolio, and vice versa, we also recognize that metrics alone cannot explain the full effect one business may have overall. Even the most carbon-intensive companies may be a part of the decarbonization solution by virtue of their products, research, and market position. For example, Texas Instruments’ products enable some of technology’s fastest-growing tools for decarbonization,

10. The MSCI ACWI captures large and mid cap representation across 23 Developed Markets (DM) and 24 Emerging Markets (EM) countries. With 2,647 constituents, the index covers approximately 85 percent of the global investable equity opportunity set. Source: MSCI. The MSCI Emerging Markets Index captures large and mid cap representation across 24 Emerging Markets countries. Source MSCI. The Russell 1000 Growth Index measures the performance of the large cap growth segment of the US equity universe. Source FTSE Russell.
11. Stranded assets: The potential to experience “stranding” of physical or natural assets due to regulatory, market, or technological forces, arising from low-carbon transition. Examples include coal mining and coal-based power generation and oil sands exploration or production. Source: MSCI.

such as factory automation, smart buildings, and advanced driver-assistance systems. We believe BYD, a Chinese electric vehicle (EV) company that is the largest EV maker in the world by volume, is a pioneering leader in promoting a low-carbon society by bringing clean transportation and renewable energy solutions to China and, increasingly, overseas.

Another example is Reliance Industries, a multinational conglomerate company with businesses in the energy sector, which has set ambitious goals to achieve net-zero carbon by 2035. These examples of decarbonization efforts by carbon-intensive companies are why we believe a holistic approach to evaluating climate risks and opportunities in a portfolio goes beyond simply aggregating carbon metrics.[12]

It's also important to consider the scopes on which climate metrics are based. The most reliable emissions data currently covers Scopes 1 and 2. However, given the nature of the industries in which we invest, the largest part of our companies' greenhouse gas (GHG) emissions will likely be in Scope 3. Scope 3 emissions are generally harder to measure and control, as they stem from activities across a company's value chain and fall outside its direct operations.[13]

12. The businesses mentioned were selected because they are three of the most carbon-intensive businesses, as set forth in Exhibit C: "Top 10 Most Carbon-Intensive Holdings Across Four Flagship Strategies."
13. Scope 1 level emissions are direct emissions from owned or controlled sources. Scope 2 level emissions are indirect emissions from the generation of purchased energy. Scope 3 level emissions are all indirect emissions (not included in Scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions (as defined by the Greenhouse Gas Protocol Corporate Standard). Source: The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard, Revised Edition, World Business Council for Sustainable Development and World Resources Institute, https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf

Transition Risk Case Study

Business: Foshan Haitian Flavoring (Haitian) is the world's largest soy sauce manufacturer by volume.

Key Issue: Greenhouse gas emissions.

Strategy: Emerging Markets Growth.

Haitian is China's largest soy sauce manufacturer in terms of market share. The company also has a long history of producing other Chinese condiments, such as oyster sauce, various dipping sauces, and chicken essence. Given the increasing importance of ESG considerations globally, we initiated this engagement to assess Haitian's approach to sustainability in areas including emissions disclosures, climate risk mitigation, and packaging efficiency. Our goal was to understand the company's readiness to align with international ESG benchmarks and identify opportunities for value creation through enhanced sustainability practices.

Environmental Practices

We discussed Haitian's progress in disclosing and managing greenhouse gas emissions. While the company acknowledged a delayed start in reporting Scope 1 and Scope 2 emissions, its recent efforts align with global standards. Haitian's 2024 ESG report marked its first full disclosure of these emissions, demonstrating a commitment to transparency. Scope 3 emissions remain partially disclosed, reflecting the complexity of gathering data across an extensive supplier network. We encouraged the company to set clear medium- to long-term emissions reduction targets, which we were informed are currently under development.

Haitian representatives highlighted its adaptive strategies to mitigate risks from severe weather events. Diversifying raw material suppliers across regions helps ensure resilience against climate-related disruptions such as droughts and typhoons. Haitian is also revisiting its water usage targets, aiming to enhance efficiency through updated ESG frameworks and board-approved long-term goals.

Additionally, our engagement explored Haitian's initiatives to optimize packaging. Transitioning oyster sauce packaging from glass to polyethylene terephthalate (PET) squeeze bottles has reduced weight and improved recyclability. The company targets a 1,000-ton reduction in plastic use by the end of 2024 and is working to increase the percentage of recycled materials in its products. Supplier proximity strategies, such as co-locating PET bottle manufacturers near production facilities, underscore Haitian's commitment to reducing transportation emissions.

Outcome and Next Steps

This engagement reaffirmed Haitian's commitment to enhancing sustainability practices despite challenges tied to regulatory and operational complexities. As a result of this engagement, we learned about the company's plan to address several material issues. Among those issues are Haitian's plans to formalize medium- to long-term emissions reduction targets and address Scope 3 data collection challenges and enhanced packaging and water efficiency goals, which are expected to gain board approval by 2025. Enhancing disclosures will be an important next step, in our view.

We will maintain an active dialogue with Haitian, monitoring its progress and providing support where needed. Follow-up engagements will focus on tracking advancements in emissions management and packaging innovation.

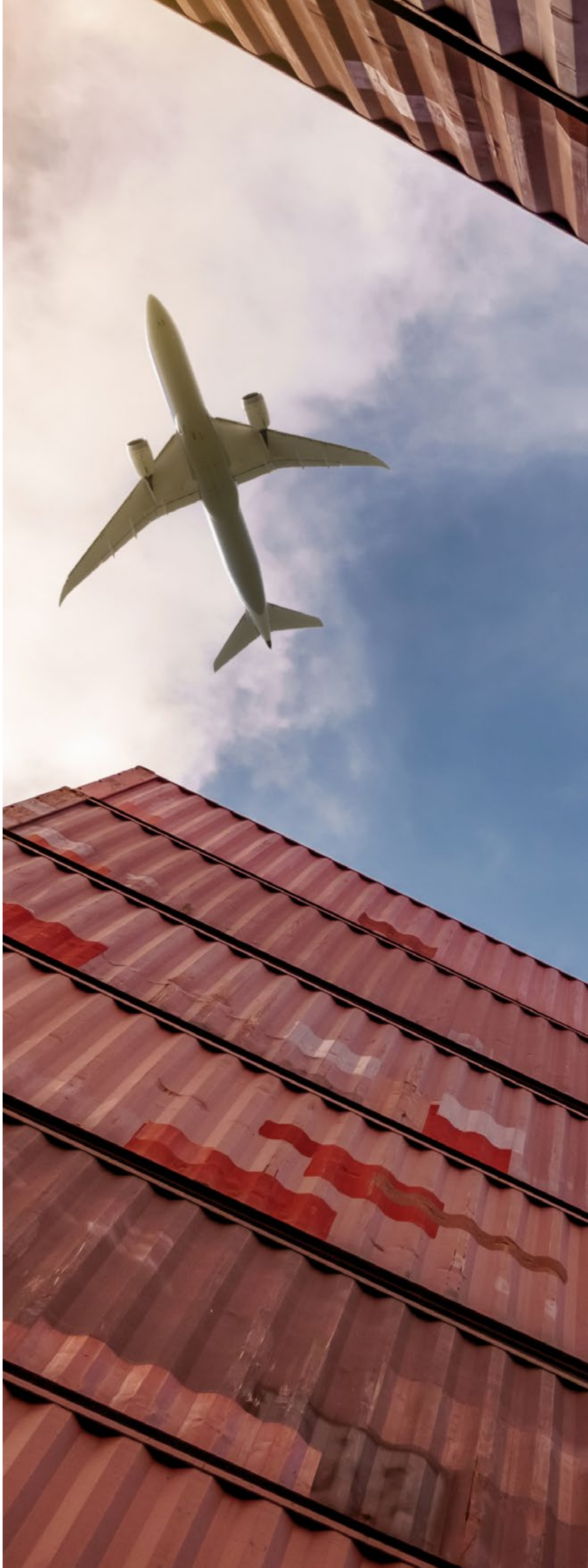
Physical Risks

The physical risks associated with climate change can have financial effects, including damage to assets or disruptions within a supply chain. During the year, our portfolio companies had overall low physical risks, as noted in Exhibit A on page 51, with only six companies at high risk: Americana Restaurants, Avenue Supermarts, Contemporary Amperex Technology, Dino Polska, International Container, and Sika. Across our portfolios, the most pertinent physical climate risks to our companies are extreme heat, coastal flooding, and extreme precipitation. When appropriate, we encourage our companies to take stock of the potential physical climate risks to their operations and to devise risk-mitigation strategies.

Initiatives and Commitments

Sands Capital supports the TCFD standards, which have been taken over by the IFRS and incorporated into the ISSB framework. We believe these guidelines provide investors with high-quality, consistent, and comparable information about climate-related business risks and opportunities. By providing Exhibits A to F on pages 51 to 54, we aim to be fully transparent about how our four flagship portfolios' carbon metrics change yearly. As shown in Exhibit E on page 53, we believe it's important to highlight a weighted carbon intensity as well as financed emissions, especially as environmental regulations and technological advancements continue to change.

Exhibit F on page 54 shows how we track our flagship strategy companies based on their climate targets. Setting SBTs is important, as it provides a scientifically grounded framework for companies to work toward reducing their emissions.



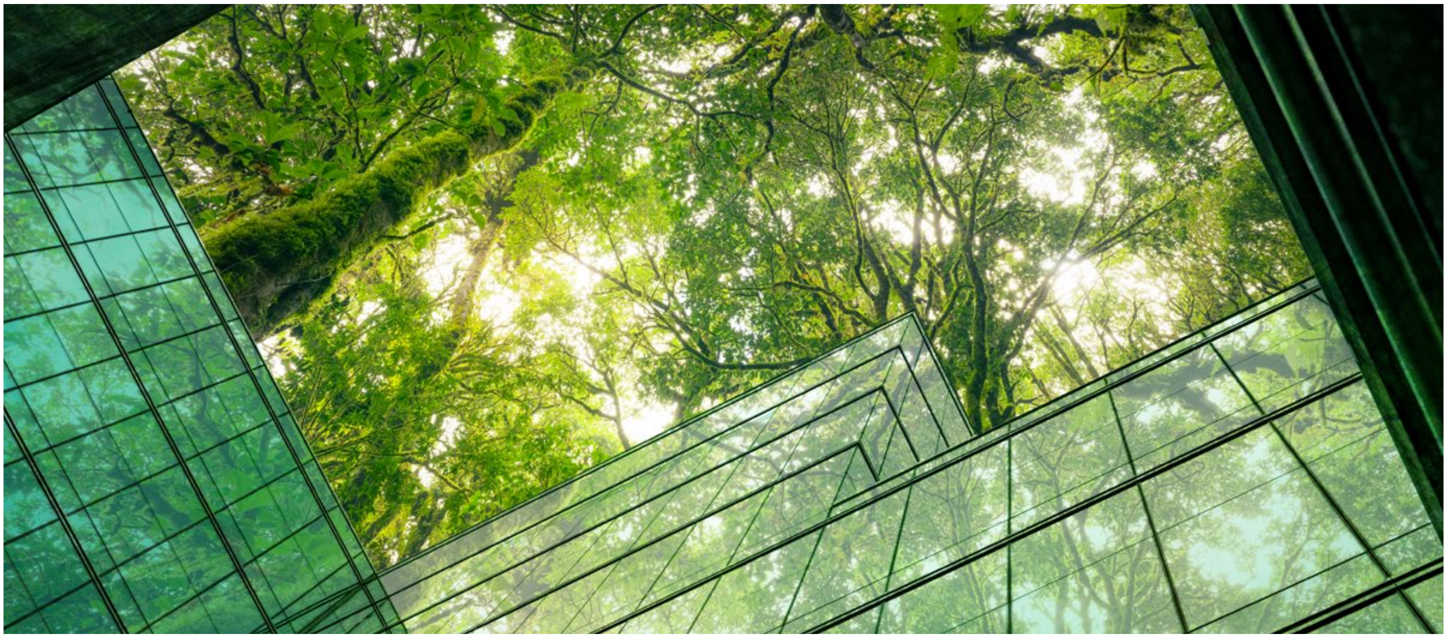


EXHIBIT A: 2024 TCFD Mapping for Sands Capital Flagship Strategies[14]

		Percentage of High	Percentage of Medium	Percentage of Low
Transition Risks	Policy and Legal	1	22	77
	Technology	2	7	91
	Reputation	1	20	79
	Market	1	12	87
Physical Risks	Acute	2	31	66
	Chronic	0	29	70
Climate Opportunities	Resource Efficiency	3	79	19
	Energy Source	4	67	30
	Products and Services	18	60	22
	New Markets	2	15	83
	Resilience (Adapting)	11	49	39

14. Rounding may cause figures to vary from 100 percent.

EXHIBIT B: Sands Capital Flagship Strategies Aggregate Carbon Metrics[15]

Weighted-Average Carbon Intensity	Portfolio	MSCI ACWI
WACI 2024	24.8	113.9
WACI 2023	20.0	128.9
WACI 2022	23.7	162.4
WACI 2021	20.6	151.2

Carbon Intensity	Portfolio	MSCI ACWI
Carbon Intensity 2024	29.3	154.7
Carbon Intensity 2023	26.9	173.3
Carbon Intensity 2022	28.3	184.7
Carbon Intensity 2021	27.3	203.0

REMIND | 2°C | NGFS[16] | DISORDERLY	Portfolio	MSCI ACWI
Policy Climate Value-at-Risk	-0.4%	-4.5%
Technology Opportunities Climate Value-at-Risk	0.1%	0.4%
Physical Climate Value-at-Risk—Aggressive	-3.5%	-7.7%
Aggregated Climate Value-at-Risk	**-3.9%**	**-11.8%**

REMIND | 2°C | NGFS | ORDERLY	Portfolio	MSCI ACWI
Policy Climate Value-at-Risk	-0.2%	-2.3%
Technology Opportunities Climate Value-at-Risk	0.1%	0.3%
Physical Climate Value-at-Risk—Aggressive	-3.5%	-7.7%
Aggregated Climate Value-at-Risk	**-3.7%**	**-9.6%**

REMIND | 3°C | NGFS | FRAGMENTED WORLD	Portfolio	MSCI ACWI
Policy Climate Value-at-Risk	-0.1%	-1.9%
Technology Opportunities Climate Value-at-Risk	0.0%	0.2%
Physical Climate Value-at-Risk—Aggressive	-3.5%	-7.7%
Aggregated Climate Value-at-Risk	**-3.6%**	**-9.48%**

15. Portfolio carbon emissions are calculated as Scope 1 and Scope 2 carbon emissions per $1 million invested. Portfolio carbon intensity measures the carbon efficiency of a portfolio and is defined as the portfolio carbon emissions per $1 million of portfolio sales. At a business level, carbon intensity is calculated as carbon emissions per unit of sales (tons/$1 million sales), while financed emissions are defined as carbon emissions per million dollars of enterprise value (tons/$1 million enterprise value including cash). Aggregated CVaR measures the financial impacts of warming using the Regional Model of Investment and Development (REMIND) model, which analyzes the future implications of interactions between energy, land-use, economy, and climate systems. The Disorderly scenario assumes higher transition risk due to delayed policies and divergence across countries and sectors. The Orderly scenario assumes climate policies are introduced early and become gradually more stringent. Weighted averages are computed as the sum product of the portfolio companies' respective carbon values and portfolio weights. Source: MSCI, FactSet. As of December 31, 2024. Businesses held in the four flagship strategies: Select Growth, Global Growth, Global Leaders, and Emerging Markets Growth. Collectively, these strategies made up 91 percent of public equity assets.
16. The Network for Greening the Financial System (NGFS) is a group of central banks and supervisors committed to sharing best practices, contributing to the development of climate- and environment-related risk management in the financial sector, and mobilizing mainstream finance to support the transition toward a sustainable economy.

EXHIBIT C: Top 10 Most Carbon-Intensive Holdings Across Four Flagship Strategies[17]

Company	Aggregate Portfolio Weight (%)	Carbon Intensity (Scope 1 + 2)	Contribution to Weighted-Average Carbon Intensity (%)
Waste Connections	0.18	679.53	1.22
Apollo Hospitals	0.61	375.92	2.30
Reliance Industries	0.45	359.37	1.62
Snowflake	1.15	201.73	2.33
Americana Restaurants	0.11	190.21	0.21
Taiwan Semiconductor	1.86	172.25	3.21
Haidilao	0.27	164.39	0.44
BYD	0.22	151.07	0.16
Ajinomoto	0.19	139.00	0.26
Texas Instruments	0.23	130.48	0.30

EXHIBIT D: Top 10 Contributors to Weighted-Average Carbon Intensity Across Four Flagship Strategies[18]

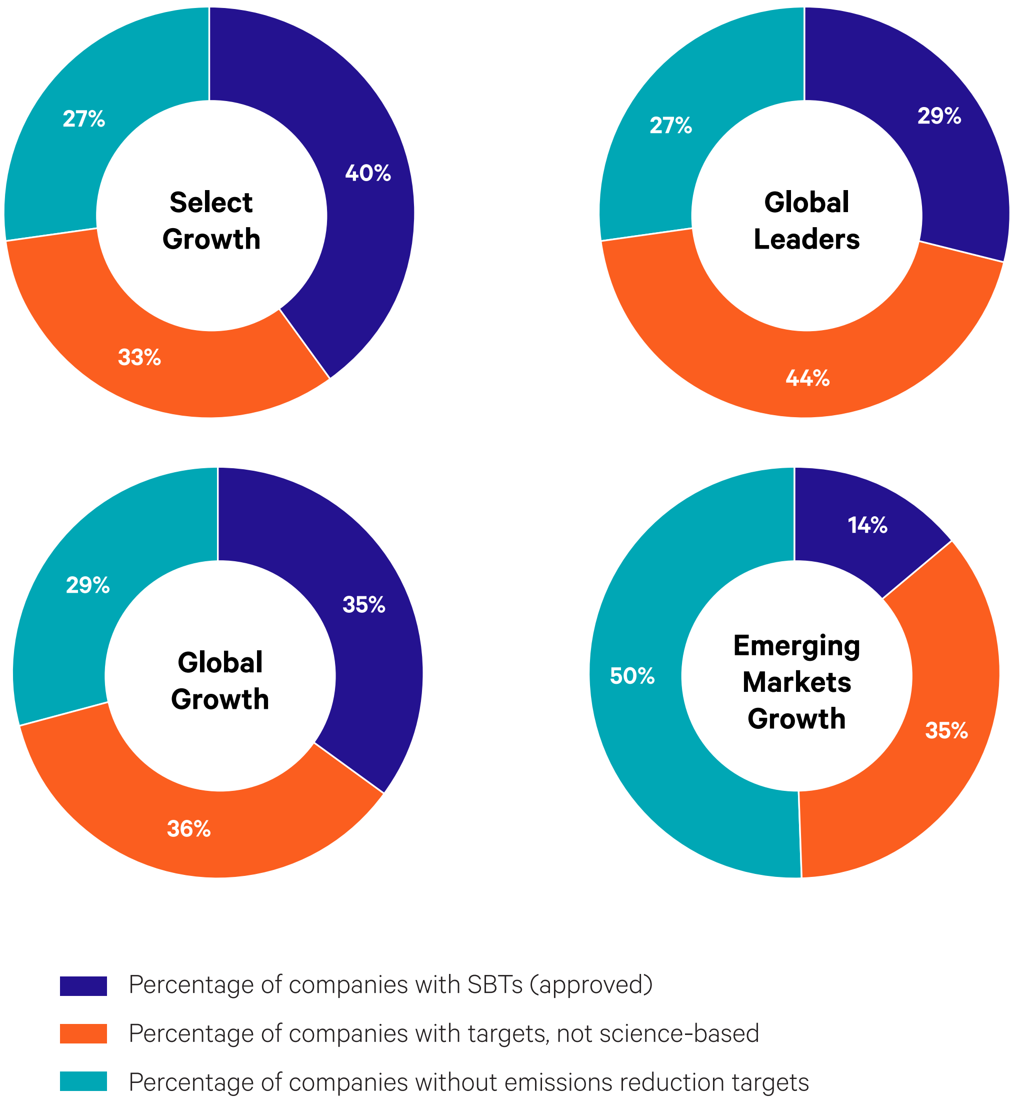
Company	Aggregate Portfolio Weight (%)	Carbon Intensity (Scope 1 + 2)	Contribution to Weighted-Average Carbon Intensity (%)
Taiwan Semiconductor	1.86	175.25	3.21
Snowflake	1.15	201.73	2.23
Apollo Hospitals	0.61	375.92	2.30
Amazon	5.69	30.56	1.74
Reliance Industries	0.45	359.37	1.62
MercadoLibre	2.92	47.63	1.39
Waste Connections	0.18	679.53	1.22
Cloudflare	1.94	45.51	0.88
Microsoft	1.96	39.95	0.78
Entegris	1.72	35.66	0.61

EXHIBIT E: Sands Capital Flagship Strategies Carbon Metrics[19]

	Carbon Emissions	Carbon Intensity	Weighted-Average Carbon Intensity	Data Availability
Select Growth	1.6	14.9	14.1	96.8%
Russell 1000 Growth Index	8.0	52.7	113.9	99.8%
Global Growth	1.9	11.7	13.6	97.8%
Global Leaders	7.8	30.0	31.4	100.0%
MSCI All Country World Index	69.3	154.7	113.9	99.8%
Emerging Markets Growth	18.2	70.6	69.1	94.1%
MSCI Emerging Markets Index	241.9	344.6	311.3	100.0%
	tCO2e/$1M invested	tCO2e/$1M Sales	tCO2e/$1M Sales	Market Value

17. Portfolio carbon emissions are calculated as Scope 1 and Scope 2 carbon emissions per $1 million invested. Portfolio carbon intensity measures the carbon efficiency of a portfolio and is defined as the portfolio carbon emissions per $1 million of portfolio sales. At a business level, carbon intensity is calculated as carbon emissions per unit of sales (tons/$1 million sales), while financed emissions are defined as carbon emissions per million dollars of enterprise value (tons/$1 million of enterprise value including cash). Aggregated CVaR measures the financial impacts of warming using the Regional Model of Investment and Development (REMIND) model, which analyzes the future implications of interactions between energy, land-use, economy, and climate systems. The Disorderly scenario assumes higher transition risk due to delayed policies and divergence across countries and sectors. The Orderly scenario assumes climate policies are introduced early and become gradually more stringent. Weighted averages are computed as the sum product of the portfolio companies' respective carbon values and portfolio weights. Source: MSCI, FactSet. As of December 31, 2024. The four flagship strategies—Select Growth, Global Growth, Global Leaders, and Emerging Markets Growth—collectively made up 91 percent of public equity assets under management.
18. Ibid.
19. Ibid.

EXHIBIT F: Portfolio-Level Climate Targets[20]



20. Source: Data from MSCI and Sands Capital research. Rounding may cause figures to vary from 100 percent.

Modern Slavery

Forced labor and forced marriage are the components that constitute modern slavery globally. More than 49 million people are subject to these extreme violations of human rights, including almost 28 million in forced labor. Modern slavery presents not only ethical challenges but also operational, reputational, legal, and regulatory risks to companies. Whether hidden in supply chains, in financial transactions, or on internet platforms, modern slavery can be found across a variety of industries—ranging from apparel to financial technology. However, many companies may be unaware of forced labor in their supply chains.

The 2021 Global Slavery Index (GSI) estimates that “nearly two-thirds of all forced labour cases are linked to global supply chains, with workers exploited across a wide range of sectors and at every stage of the supply chain. Most forced labour occurs in the lowest tiers of supply chains; that is, in the extraction of raw materials and in production stages.” The 2021 GSI estimates that the G20 group of leading rich and developing countries imports over U.S. $468 billion in products “at risk of being produced with forced labour.” This 2021 estimate is an inflation-adjusted increase of $61 billion since the 2018 GSI’s estimate of $354 billion. Electronics, garments, palm oil, solar panels, and textiles are the import categories estimated to be the top five products at risk.[21]

Given the complexity of the supply chains in many of our portfolio companies, this data underscores the importance of enhancing our strategies to perform due diligence and minimize the risk of modern slavery within our portfolio companies.

Thematic Focus: Conflict Minerals

In late 2021, we signed an investor letter through the Principles for Responsible Investment (PRI) Collaborative Engagement Platform, urging semiconductor companies to strengthen supply chain due diligence and eliminate conflict minerals. Since then, we have expanded our work beyond this initial collaboration to deepen our understanding of human rights risks in critical mineral sourcing more broadly.

Throughout 2024, we held a series of expert calls to better understand the risks associated with mineral sourcing and the implications for companies across different industries. In parallel, we continued company-specific research and engagement with portfolio companies on these risks, including our engagement with Dexcom, which is highlighted in a separate case study on pages 58 to 59.

To further integrate these insights into our investment process, we have started developing a critical and conflict mineral due diligence guide, which we plan to roll out in 2025. This guide will serve as a resource to strengthen our approach to assessing and engaging on mineral sourcing risks.

As we continue this work, we remain committed to expanding our focus on the role of critical minerals in other key sectors, such as electric vehicles and the energy transition.

Collaboration With and Through the Slave-Free Alliance

Slave-Free Alliance (SFA) is an international social enterprise wholly owned by the global anti-slavery charity Hope for Justice. The alliance helps organizations protect their operations, supply chains, and people from modern slavery and labor exploitation. SFA partners with organizations to provide gap analyses, modern slavery site assessments, crisis response formulations, proactive investigations, and training. The team at SFA has played pivotal roles in Operation Fort and the Kozee Sleep case, two of the biggest modern slavery prosecutions in U.K. history. The successful outcomes of these cases brought lasting improvements to police and commercial responses to modern slavery.*

* “WHO WE ARE: About Slave-Free Alliance,” Slave-Free Alliance, https://www.slavefreealliance.org/about-us/

21. “GLOBAL SLAVERY INDEX: IMPORTING RISK,” Walk Free, https://www.walkfree.org/global-slavery-index/findings/importing-risk/

Risk Assessment, Management, Training, and Reporting

With a global portfolio across many industries, Sands Capital recognizes the importance of modern slavery risks within each tier of the supply chain. To address these risks in our portfolios, we undertook several initiatives, including internal training, engaging with companies on material human rights risks, and partnering with a third-party organization focused on modern slavery to further develop independent expertise and support.

In 2021, we began the Modern Slavery Mitigation Project to prepare and implement policies, practices, and staff training. Our work on this important topic has developed over the last few years.

In 2022, Sands Capital established a partnership with an outside organization, Slave-Free Alliance (SFA), which specializes in anti-trafficking and the elimination of modern slavery. This partnership enables us to further our work to better understand and mitigate modern slavery risks at both the portfolio and operational levels at Sands Capital. In the early stages of our partnership, we commissioned a gap analysis of our operations and investment practices.

Since the completion of our initial gap analysis with SFA, we have continued to refine our approach to mitigating modern slavery risks in our investment processes and operations. In 2024, we further incorporated recommendations from the analysis into our ongoing stewardship activities, including refining our due diligence frameworks and strengthening engagement efforts with portfolio companies.

- **Training:** In December 2024, we held a firmwide training session led by SFA, building on previous sessions to deepen our understanding of evolving modern slavery risks. The training covered global legislative updates and emerging issues, such as migrant worker vulnerabilities, labor exploitation in AI supply chains, and a case study on systemic labor rights violations at a major global employer.
- **Investment due diligence:** We have made significant progress toward finalizing an advanced due diligence framework and engagement guide on modern slavery for our investment professionals. This guide is designed to strengthen our ability to assess and engage with portfolio companies on modern slavery risks. Additionally, we have maintained a strong thematic focus on modern slavery in our investment engagements, approaching the issue both from a bottom-up perspective by integrating company-specific insights and from a top-down level through the development of a portfolio-wide risk assessment based on external indicators.
- **Modern slavery statement:** In June 2024, we released our 2023 Modern Slavery Act Annual Transparency Statement, enhancing the transparency provided in earlier statements. This statement outlined our strategies for mitigating modern slavery risks in our business operations and investments and provided additional details on the governance of our stewardship program.
- **Industry collaboration:** In November 2024, we participated in the launch of SFA's Financial Services Working Group, a group whose mission includes sharing knowledge, skills, and best practices, as well as developing resources to support a collective response to common human rights challenges. The mission of this group is to "work towards this vision by sharing knowledge, skills and best practice, and by developing resources to support a collective response to common human rights challenges." We also joined the Investor Initiative on Human Rights Data (II-HRD) to advocate for improved and more comprehensive corporate human rights data and to generate industrywide alignment.

Conflict Minerals and Modern Slavery Case Studies

Dexcom
CONTINUOUS GLUCOSE MONITORING

Business: Dexcom is a leading producer of medical devices treating diabetes.

Key Issue: Materials use and sourcing.

Strategies: Global Focus, Global Growth, Global Leaders, Global Shariah, and Select Growth.

Dexcom develops continuous glucose monitoring systems that allow users to be aware of their blood sugar levels in real time. These systems typically consist of three main components: a sensor, a transmitter, and a receiver. Electronic devices such as these require the metals tantalum, tin, tungsten, and gold (3TG), which are called “conflict minerals” due to their extraction and trade often linked to armed conflict, human rights abuses, and violence in certain regions.

In 2024, we met with several members of Dexcom’s team to discuss the company’s policies on material sourcing. Specifically, we wanted to understand the company’s approach to conflict mineral due diligence and risk mitigation, as well as the transparency and traceability of conflict minerals in the supply chain. We also addressed whether the company has considered the free, prior, and informed consent of local communities and Indigenous peoples.

Due Diligence Overview

Before the meeting with Dexcom, we noted the company filed a Conflict Minerals Report under the Dodd-Frank Act, implemented a due diligence process based on the Organization for Economic Cooperation and Development guidelines, and adopted the Responsible Minerals Initiative’s Conflict Minerals Reporting Template.

Dexcom representatives acknowledged the reporting template is a central component of its conflict minerals due-diligence process. The company works with an independent third-party provider of environmental compliance software to collect and review the reporting responses from suppliers. Representatives shared that 99 percent of Dexcom’s suppliers have responded to its reporting request, and Dexcom follows up with suppliers individually when responses are missing or inaccurate. These responses are reviewed by the company and the independent third party to identify any red flags. If any concerns due to conflict minerals are found in the survey, Dexcom has policies to disengage from suppliers.

Traceability Solutions

We also discussed the extent to which Dexcom was investing in new potential technological solutions to improve the traceability and transparency of conflict minerals across its supply chains. If a company is unable to accurately track the transport of conflict minerals in its supply chain, it is unlikely that the company can appropriately engage with its suppliers on the topic. Consequently, we wanted to know how the company was analyzing its supply chain.

Dexcom conducts a Reasonable Country of Origin Inquiry in its Conflict Minerals Report to determine whether the 3TG in its products originate from the

Democratic Republic of the Congo or neighboring countries. Armed groups in the region have used the extraction and trade of these minerals to finance operations linked to human rights abuses, including modern slavery and sexual and gender-based violence. Dexcom has established a working group to focus on proactive analysis through monitoring and analyzing its supply chain for traceability concerns. However, it has not yet implemented any specific new technological solutions for improving the traceability of conflict minerals. Our core stewardship team intends to monitor Dexcom's progress in incorporating additional technological solutions, which we believe would enhance the company's approach to managing conflict minerals.

Considerations of Local Communities and Indigenous Peoples

During this engagement, we also inquired about the rights of the local communities and Indigenous peoples. Although these groups do not account for a large percentage of the world's population, their lands are abundant in biodiversity and natural resources. This can lead to the exploitation of local communities and Indigenous peoples by companies attempting to extract these commodities. Accordingly, we wanted to know if Dexcom had considered including requirements for suppliers within its supply chain, such as free, prior, and informed consent of local communities and Indigenous peoples. We believe that having a grievance mechanism for communities affected by critical mineral mining and smelting is an appropriate policy to account for the rights of these groups.

This is an area in which Dexcom could improve, in our view. Dexcom has not incorporated Indigenous peoples' rights into its conflict minerals strategy because it does not see this as a material issue, given its limited use of precious metals, and the company does not currently require its suppliers to obtain free, prior, and informed consent. Although Dexcom's public reporting notes it may engage with stakeholder groups, including local authorities, international organizations, and civil society organizations, it has not directly engaged with local communities. Nor has it incorporated Indigenous peoples' rights into its conflict minerals strategy. We intend to monitor Dexcom's progress on this topic, given the rise in awareness in recent years around the importance of protecting the rights of these vulnerable groups.

BRITANNIA

Business: Britannia is the largest biscuit manufacturer in India by market share.

Key Issues: Increasing transparency and disclosure, labor rights, and materials use and sourcing.

Strategy: Emerging Markets Growth.

Background

In 2024, we engaged with Britannia's leadership to discuss challenges in its sugar supply chain and give feedback about more responsible sourcing. India's sugar sector is highly fragmented, making oversight complex. Our discussions focused on immediate priorities and longer-term strategies to enhance supply chain stability, mitigate labor risks, and strengthen Britannia's ethical sourcing commitments.

Laying the Foundation: Strengthening Oversight

We emphasized the importance of independent, third-party assessments of Britannia's sugar suppliers, recommending the company to publicly disclose key findings. Incorporating feedback from local workers, farmers, and community organizations in this process can help ensure that solutions reflect on-the-ground realities. By actively identifying high-risk areas, Britannia can reduce severe labor violations, improve its supply chain resilience, and protect its reputation.

We also recommended that Britannia refine its audit methodologies to better detect systemic labor risks and strengthen engagement with high-risk suppliers. Taking a more proactive approach to supplier oversight can mitigate legal and reputational risk and strengthen long-term supply chain reliability.

Enhancing Short-Term Supplier Accountability

Britannia has an opportunity to improve supplier accountability by requiring direct employment contracts for workers. We believe these contracts should be in languages that workers understand and clearly outline payment terms and working conditions. Greater transparency in employment terms helps prevent exploitation, stabilizes the workforce, and fosters stronger supplier relationships.

Additionally, we encouraged Britannia to implement supplier training programs focused on ethical recruitment and international labor standards. Providing suppliers with this knowledge lays the foundation for a more responsible supply chain and helps mitigate the risk of labor abuses.

Building Long-Term Sustainability

To promote sustained progress, we recommended that Britannia establish accessible and anonymous grievance mechanisms for workers. Strengthening whistleblower protections encourages workers to report concerns without fear of retaliation, helping Britannia address issues before they escalate.

Raising worker awareness of their rights through educational initiatives and engagement with independent worker organizations can further improve labor conditions. A more empowered workforce can lead to safer, more stable, and more productive operations.

Promoting Transparency and Industry Collaboration

We suggested Britannia deepen its partnerships with mills, cooperatives, and farmers to achieve full traceability in its sugar sourcing over the long term. By prioritizing suppliers with well-documented sourcing practices, Britannia can reduce its exposure to high-risk suppliers.

We also highlighted the importance of transparency to building trust. Regularly publishing reports on Britannia's sourcing practices, supplier compliance, and human rights protections in our view can enhance confidence among customers, investors, and regulators.

Finally, we recommended Britannia collaborate with sugar mills, cooperatives, and agricultural extension agencies to develop farm support programs. These initiatives can improve labor conditions, enhance farm resilience, and address systemic risks in India's sugar supply chain.

By taking a phased approach—starting with foundational actions and progressively strengthening its commitments—Britannia can solidify its position as a leader in ethical and sustainable supply chain management. Our engagement underscored the importance of responsible sourcing, and we look forward to seeing the company's continued progress.

Responsible Technology Innovation and Implementation

The world is rapidly shifting from an industrial society to one of technology-driven innovation, and our investment criteria tend to lead us to high-growth companies that are typically aligned with our view of long-term technological changes in their businesses. As technology continues to permeate all aspects of society, it is important to consider the impact it has on individuals, organizations, and the world at large. The use of algorithms, big data, and AI is becoming more common in all sectors of the economy. These tools can provide significant benefits, such as individualized healthcare, greater financial inclusion, increased access to information, and environmental solutions. Digitalization also has the capability for great risks, such as algorithmic bias, unethical use of AI, technology addiction, violations of data privacy, and job displacement. These risks call for the development of digital ethics, the ethical principles and values that guide the design, development, and use of digital technology.

In 2022, with other forward-thinking asset managers, we launched ISDE, a network of institutional investment managers and asset owners seeking to pool resources to generate research on digital governance best practices for its members and broader investor audiences. The work of this group includes hosting expert roundtables, producing white papers on digital ethics topics relevant to investors, creating due diligence questionnaires and engagement roadmaps, and participating in speaking engagements.

The group had previously released two additional public reports:

- *"Considerations of Data Use for Global Investors in a Digital Age,"* which extensively reviews research across data use, as well as emerging best practices within this critical area. It also underscores material investment-related issues, offering strategies that can improve corporate data use practices.
- *"Addiction by Design: A New Frontier of Social Risk in Tech,"* a white paper analyzing the material impacts of technology addiction within six sectors and key areas for investor engagement.

2024 Update

Additional actions we took this year included:

- We continued our work with ISDE. In January 2024, ISDE hosted an expert roundtable on surveillance at the state/local government, consumer, and worker levels.
- In March 2024, we were able to get ISDE to speak on a panel at International Corporate Governance Network (ICGN) 2024. This panel focused on the power of AI and what boards and investors should know.
- ISDE authored a publicly available report in September 2024 on assessing investment exposure of responsible tech innovation and implementation. This piece emphasizes that proactive engagement with companies on responsible tech practices is essential for future-proofing investments, ensuring compliance with human rights guidelines, and mitigating emerging risks.
- Also in September 2024, Sands Capital conducted a member-hosted session at the Council of Institutional Investors (CII) conference. This panel, "Stewardship in the Digital Age," focused on digital transformation and automation; social and business trends, risks, and impacts; and what investors can do.
- In November 2024, we participated in a panel on AI and the digital transformation at the ICGN conference in Melbourne. This panel focused on what the responsible development and use of AI looks like, what the implications of the digital transformation are for human capital, and how investors are engaging with companies on this.
- Also in November 2024, in coordination with ISDE, we helped create roadmaps designed to aid investors and stakeholders with how to engage companies on the future of work and tech addiction. These roadmaps define the scope and impacts, risks and materiality to investors, questions for engagement, and best practices.

Engagement

Mishandling of data, algorithmic bias, unethical AI practices, and technology addiction are some of the potential unintended consequences of digitalization.

As forward-looking investors in leading innovative global growth businesses, we recognize the opportunity to guide corporations in setting clear guidelines for appropriate digital governance.

Our work with ISDE has enabled us to build internal capacity and knowledge in how to assess the risks and opportunities related to responsible technology in our own portfolios and how to engage our companies on this topic. In light of this, we have focused on engagements with companies regarding their AI governance, as we believe it will be a material consideration for many of our portfolio companies moving forward.

Responsible Technology Innovation and Implementation Case Study

zalando

Business: Zalando is the largest ecommerce apparel retailer in Europe, based on market share. The company focuses on selling full-priced, in-season merchandise from leading apparel brands, and it operates in 23 countries.

Key Issue: AI governance.

Strategies: International Growth and Global Growth.

Zalando focuses on selling full-priced, in-season merchandise from leading apparel brands, and it operates in 23 countries. Due to concerns related to sustainability within the fashion industry, we have prioritized monitoring Zalando's ESG program. Over the last two years, we have seen improvement in Zalando's ESG practices as it aims to be a more sustainable fashion platform. We have met with the company multiple times during this period. In 2024, we had a chance to hear its views on how it responsibly uses AI.

Zalando has long used AI and machine learning, but the advent of generative AI has created new use cases—both internal and external. We have been following the external rollout, which includes a new chatbot and incorporation into size and fit recommendations. We also wanted to understand how the technology is used internally and what groups have responsibility for its responsible use.

From a governance perspective, the chief information security officer is the primary point person. AI is also regularly discussed at the board level, and the responsible use of AI is ingrained within Zalando's policies. The company has specific training for those who use AI in their daily jobs, and it intends to incorporate companywide training on the topic in the future. Privacy and data security are material issues for the company, and as a result, we intend to continue engagements around the firm's use of AI.

Overall, our most recent meeting with representatives from Zalando reinforced for us the thoughtfulness with which the firm approaches ESG issues. We look forward to future engagements with the company as it works toward its goal of becoming a more sustainability-oriented fashion platform.

Industry Partnerships, Affiliations, and Memberships

Building Partnerships That Foster Innovation

To support the promotion of well-functioning financial markets, we also take part in various industry initiatives. Through our involvement and contributions to these collaborative initiatives, we aim to improve market resiliency over the long term.

Sands Capital builds relationships with select organizations that enable us to understand stakeholder perspectives on sustainability issues, apply lessons to our research analysis and engagements with portfolio businesses, and collaborate with stakeholders to enhance corporate disclosure practices. Because we work with such dynamic companies in evolving industries, we view these partnerships as an indispensable way to share best practices and gain insights into effectively managing ever-changing externalities. Our partnerships focus on areas most relevant to our portfolios, such as institutional investing, climate reporting, digital ethics, and corporate governance.

This list of partnerships is not exhaustive and may change as our priorities for any given year change. We will continue to find and pursue options to collaborate on to achieve positive long-term outcomes for our clients and society.

Our Partnerships, Collaborations, and Reporting Frameworks[22]

	Organization	Involvement and Leadership
CDP	The Carbon Disclosure Project (CDP) is a not-for-profit charity that runs a global disclosure system for investors, companies, cities, states, and regions to manage their environmental impacts.	As an investor signatory, Sands Capital joins nearly 600 institutional investors globally to require environmental information from companies, in line with the TCFD recommendations, to create the most consistent, comprehensive, and measurable global environmental dataset for investors.
Council of Institutional Investors®	Council of Institutional Investors (CII) is a nonprofit, nonpartisan association of U.S. public, corporate, and employee benefit plans; state and local entities charged with investing public assets; and foundations and endowments with combined assets under management of approximately $5 trillion. CII is a leading voice for effective corporate governance, strong shareowner rights, and sensible financial regulations that foster fair, vibrant capital markets.	Sands Capital is an associate member of CII. Sands Capital has contributed domain knowledge to CII's conference programming by hosting breakout educational sessions on topics including corporate governance in emerging markets and executive compensation. Our senior proxy specialist also sits on the Corporate Governance Advisory Council, providing input to the board of CII that promotes effective corporate governance.
ICGN	The International Corporate Governance Network (ICGN) promotes effective standards of corporate governance and investor stewardship to advance efficient markets and sustainable economies worldwide. Its policy positions are guided by the ICGN Global Governance Principles and Global Stewardship Principles.	Sands Capital previously served as a primary sponsor of the Governance of Big Tech virtual summit hosted by ICGN and NASDAQ. Additionally, several members of the investment team participated in ICGN's intimate and interactive Governance, Stewardship, and Sustainability Course.
IFRS Sustainability Alliance	The IFRS Sustainability Alliance combines the SASB Alliance and Integrated Reporting Business Network into a global network that explores and develops best practices related to sustainability standards and integrated reporting.	Having joined the SASB Alliance in 2017, Sands Capital continues to support the industry-based standards-setting process through the consolidated alliance. Engagements with IFRS have included consultations on topics such as greenhouse gas emissions, stock-based compensation, board of director governance, and supply chain best practices. Conversely, Sands Capital leans on SASB Standards to ensure its own portfolio companies align with the most up-to-date ESG practices.
II-HRD Investor Initiative on Human Rights Data	II-HRD is a collaborative initiative in which institutional investors work together to advance the corporate human rights data environment. This will enable investors to systematically incorporate human rights data into their investment and stewardship decision-making.	We joined the II-HRD as a collaborating investor, participating in the working groups focused on MSCI and Sustainalytics, to advocate for better, more comprehensive corporate human rights data and to help drive industry-wide alignment.

22. This list includes any partnerships, collaborations, or reporting frameworks Sands Capital was associated with in 2024.

Our Partnerships, Collaborations, and Reporting Frameworks (cont.)

	Organization	Involvement and Leadership
ISDE Investors for a Sustainable Digital Economy	Investors for a Sustainable Digital Economy (ISDE) is a network of forward-looking investment managers and asset owners seeking to pool resources to generate research on digital governance best practices for its members, as well as broader investor audiences. The forum harnesses deep expertise across the digital economy, developing research and stewardship tools focused on understanding and addressing the impacts of areas such as data use, machine learning algorithms, robotics, the future of work, and bioethics.	Sands Capital is a founding member of this organization, which was formally launched in February 2022. We have participated in several small roundtables and the development of reports focused on data use and technology addiction.
PRI Principles for Responsible Investment	Principles for Responsible Investment (PRI) promotes sustainable investment through the incorporation of ESG issues into investment decision-making. In implementing six aspirational principles, signatories contribute to the development of a more sustainable global financial system.	Sands Capital became a signatory in 2017. Our partnership with PRI has served as a useful blueprint for us in building our stewardship program and understanding how our program compares with those of our peers. It has also provided a forum in which to exchange best practices around stewardship efforts. We have also participated in PRI-led collaborative thematic engagements.
SLAVE-FREE ALLIANCE Working Towards a Slave-free Supply Chain	Slave-Free Alliance (SFA) is an international social enterprise wholly owned by the global anti-slavery charity Hope for Justice. The alliance helps organizations protect their operations, supply chains, and people from modern slavery and labor exploitation. SFA partners with organizations to provide gap analyses, modern slavery site assessments, crisis response formulations, proactive investigations, and training.	Sands Capital became an SFA member in 2022. Sands Capital was one of the inaugural members within the United States and one of only a few members within the financial services industry. Since joining SFA, we have participated on panels at the 2022 and 2023 SFA Conferences and have held collaborative conversations with other SFA members within the financial services industry. In 2024, we attended the official launch of SFA's Financial Services Working Group. We look to continue these engagements throughout our partnership with SFA to enhance our own investment due diligence and company engagement.
TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES	The Financial Stability Board established the Task Force on Climate-related Financial Disclosures (TCFD) to develop recommendations for more effective climate-related disclosures that could promote more informed investment, credit, and insurance underwriting decisions and, in turn, enable stakeholders to better understand the concentrations of carbon-related assets in the financial sector and the financial system's exposures to climate-related risks.	In 2020, Sands Capital became a public supporter of the TCFD, which has been taken over by the IFRS Foundation and incorporated into the International Sustainability Standards Board's (ISSB) framework. We incorporate the TCFD's disclosure recommendations, including its weighted-average carbon intensity recommendation, into our reporting. We also model our company-level climate analysis in our internal company ESG reports on the TCFD framework. In our engagements with companies that are beginning to measure and disclose emissions, we support them using the TCFD framework as a base.

Our Partnerships, Collaborations, and Reporting Frameworks (cont.)

	Organization	Involvement and Leadership
	The UK Stewardship Code contains 12 principles related to stewardship activities, such as purpose and governance, investment approach, engagement, and exercising rights and responsibilities. It also requires signatories to apply these principles to their stewardship programs and explain how they do so in a publicly available report. This report is submitted to the Financial Reporting Council for its review and approval of signatory status.	Sands Capital Management became a signatory of the UK Stewardship Code in 2023. The UK Stewardship Code is a voluntary framework to which investors can apply to gain signatory status. By doing so, signatories demonstrate a high stewardship standard, as well as active and engaged monitoring of corporate governance in the interests of beneficiaries.
	The UK Sustainable Investment and Finance Association (UKSIF) brings together the U.K.'s sustainable finance and investment community and supports its members to promote a sustainable financial system that works for the benefit of people and drives positive change.	Sands Capital joined UKSIF in June 2022. We have attended several UKSIF events, including participating in a panel on our work with ISDE during the UKSIF Autumn Conference 2022.

Events and Conference Participation

Throughout the year, we actively contributed to key industry events and conferences, sharing our insights on stewardship, governance, and responsible investment. We were honored to speak on panels at the CII spring and fall conferences, as well as the ICGN Melbourne Conference, where we discussed the evolving role of AI in corporate governance. Additionally, we were proud to be shortlisted for the ICGN Global Stewardship Disclosure Awards, a recognition of our commitment to transparency and best practices in investor stewardship.

More details on our event participation appear in the table below.

Convenings and Public Speaking Engagements in 2024

- **February 21 to 22:** Participated in the IFRS Sustainability Alliance Workshop and attended the IFRS Sustainability Symposium, which provided updates on the ISSB Standards, including how the ISSB is striving to create a global baseline for sustainability and climate-related financial disclosures centered around financial materiality and how relevant entities are planning to apply the standards.
- **March 4 to 6:** Attended panels at the CII 2024 Spring Conference: Governance as a Guidepost, an event attended by 550-plus asset owners, asset managers, company representatives, regulatory officials, sustainability professionals, and others, along with the private Proxy Voting Group, to discuss various proxy topics covered by the Chatham House Rule. We presented on the plenary panel Stewardship Norms Around the World.
- **March 7 to 8:** Attended the ICGN Washington, D.C., Conference, which focused on key insights into best practices and future priorities within the evolving governance and investor stewardship landscape.
- **May 15:** Attended the UKSIF annual spring conference in Edinburgh, U.K.
- **September 9 to 11:** Attended the CII 2024 fall conference, including holding a member-hosted meeting on Stewardship in the Digital Age.
- **September 23 to 27:** Attended various events relevant to asset managers during Climate Week NYC 2024. Discussion topics included climate risk, sustainability reporting, climate finance, energy transition, and climate technology.
- **September 26 to 27:** Attended the ICGN Global Stewardship Forum, during which Sands Capital was nominated for an ICGN Global Stewardship Disclosure Award.
- **October 2 to 3:** Attended the CredoAI Responsible AI Leadership Summit, an event focused on AI governance and responsible AI development.
- **October 8 to October 10:** Attended the annual PRI in Person conference, the largest investor conference on stewardship, ESG, and sustainability, focused this year on "Progressing global action on responsible investment," along with various side events.
- **October 30:** Attended the S&P Global Datacenter and Energy Innovation Summit 2024 in Washington, D.C., focusing on the latest trends and developments in the data center industry, with a specific emphasis on the impact of AI on energy consumption.
- **November 1:** Attended Georgetown University's McDonough School of Business 2024 Leadership and Innovation Summit: Energy Transition.
- **November 8:** Attended the annual member meeting of the 30 Percent Coalition, which has rebranded as Invest Ahead, as an observer and joined small group discussions with other investors focused on board diversity.
- **November 12 to 14:** Spoke on the panel on Artificial Intelligence and the Digital Transformation at the ICGN Conference in Melbourne, Australia.
- **November 20 to 21:** Attended the official launch of SFA's Financial Services Working Group, of which Sands Capital is a member, and the SFA 2024 annual conference on the theme of "A Global Forum for Change."

Assessing Our Effectiveness in Addressing Risks

Managing concentrated portfolios of high-conviction businesses is not only a matter of where you choose to allocate capital but also what you choose to avoid. Focusing on high-growth equities helps us avoid the risks associated with excessive diversification and with not having a thorough understanding of the businesses we are invested in and how they may respond to marketwide and systemic risks. Understanding how systemic risks such as climate change could affect businesses is essential to acquiring the conviction necessary to allocate capital in highly concentrated portfolios. We believe the methods and processes we have established for assessing risk and obtaining the conviction required for our investment strategies are critical to our success as responsible stewards of capital.

6 Active Ownership

Through engagement, proxy voting, and the cultivation of direct relationships with management and directors, we seek to help our businesses overcome their challenges and capitalize on their opportunities, ensuring they remain attuned to the shifts influencing their industries.

Active Ownership for Effective Risk Management and Value Creation

Active ownership is an integral component of our stewardship efforts. Our investment strategies are designed to concentrate investments in exceptional growth businesses. This means we are frequently among companies' largest shareholders across all our investment strategies. As of December 31, 2024, we were a top 20 shareholder in 53 public companies. This level of ownership gives us access to management teams and directors, which enables us to engage constructively on ESG-related matters and other issues that can affect a company's long-term strategy.[23] It also means our proxy vote often holds considerable weight.

Because our portfolio businesses recognize our long-term investment orientation and focus on value creation, they tend to welcome our engagement. We understand thoughtful business improvements take time, which is why many of our engagements span years. Through ongoing conversations, we seek incremental change and adjust our approach as circumstances develop, often using a combination of engagement and proxy voting and escalating where necessary. One such example is our multiyear engagement with iRhythm.

23. Sands Capital regularly engages with the management teams and, if appropriate, board members of portfolio businesses to better understand each business' long-term strategic vision and management of risks and opportunities, including those pertaining to ESG matters. As part of our ongoing research, Sands Capital regularly engages with the management teams and, if appropriate, board members of portfolio businesses to better understand each business's long-term strategic vision and management of risks and opportunities, including those pertaining to environmental, social, and governance (ESG) matters. Sands Capital's engagement with management teams and board members does not involve any direct or indirect attempt to exert pressure to implement specific measures, change policies, or otherwise influence control over the issuer.

Multiyear Engagement Case Study

iRhythm™

Business: iRhythm Technologies is a pioneer in atrial fibrillation (irregular heartbeat) detection.

Key Issues: Board structure or composition, executive compensation, and shareholder rights.

Strategy: Global Growth.

Background

Since 2021, we have engaged with iRhythm's board and management team to share our views on a range of matters to support the company's transition from a venture-backed structure to a mature, public-facing organization. Over this period, the company has made meaningful improvements in governance, financial oversight, and ESG practices, often in direct response to our feedback. These changes have strengthened the company's foundation and, we believe, position it for long-term success, though certain shareholder rights issues remain a focus for ongoing engagement.

Activity and Outcome

Strengthening Financial Oversight and Governance

Our engagement with iRhythm began in 2021, when the company publicly disclosed that its internal controls over financial reporting were ineffective due to material weaknesses in accounting processes and procedures. Given iRhythm's history of SEC investigations and the complexity of its business model, we shared our view that these weaknesses posed critical risks to long-term shareholder value creation and required urgent resolution. In the 2021 proxy vote, we withheld support from Audit Committee Chair Mark Rubash, who served in this role for five years but had not provided the level of financial oversight needed by the company, in our view.

By 2022, the company made significant progress in addressing these issues through measures including recruiting a new chief financial officer (CFO) and strengthening the financial team. Although certain proxy advisors recommended withholding votes from audit committee members in 2022, in our assessment the company was appropriately addressing these issues. As a result, we supported Rubash's reelection while continuing to monitor progress.

In 2023, the company fully fixed its financial control issues, marking a significant milestone in its governance evolution. The company also declassified its board, improved executive compensation structures by integrating total shareholder return metrics for executive officers, and published its first comprehensive ESG report with three-year goals. These actions demonstrated a clear commitment to strengthening governance and aligning management incentives with long-term shareholder value. At that time, we reaffirmed our view that the company should eliminate its supermajority provision and set an expectation for its removal by the end of 2025.

iRhythm

ESG and Regulatory Compliance Enhancements

Beyond governance and financial controls, we have shared our view that the company should elevate its ESG and compliance practices to align with industry best standards in order to enhance long-term shareholder value. The company has been highly receptive to this feedback, implementing structural changes in three areas:

- **Board and Leadership Enhancements:** The company transitioned from a venture-backed board to one with seasoned directors, including the addition of high-caliber leaders with deep industry and governance experience.
- **ESG Oversight and Reporting:** The company established two formal ESG oversight committees at the board level and published its first ESG report with defined goals, addressing topics such as diversity, equity, and inclusion; privacy controls; and health equity. The company created and filled key roles to address these material topics.
- **Regulatory Compliance:** The company took decisive steps to rebuild trust with the Food and Drug Administration (FDA) and Department of Justice (DOJ) following its 2023 investigation by these two agencies. The company overhauled its regulatory and quality functions, replacing leadership, engaging top-tier consultants, and strengthening internal processes. Notably, its new mobile cardiac telemetry (MCT) product Zio AT is the first product being considered under the FDA's updated MCT category, signaling the company's progress in reestablishing credibility with regulators.

Shareholder Rights and Future Expectations

While the company has made meaningful progress, its shareholder rights framework remains a key focus for us. The company has yet to remove the supermajority voting requirement, which limits shareholder influence over key governance decisions. In discussions with the board, we were informed that the delay was strategic—that the company aims to resolve regulatory overhangs before making this change to prevent activist investors from exploiting the situation. We acknowledge this rationale but continue to believe the provision's removal in 2025 is in shareholders' best interests.

Additionally, we engaged with management regarding executive compensation. While proxy advisors recommended voting against the company's executive compensation plan, due to undisclosed key performance indicators (KPIs) tied to one-time retention bonuses, we determined that these awards were justifiable, given the challenges inherited by the new management team. Unlike the prior leadership, the current executives have demonstrated strong execution despite external disruptions. The company outlined the three KPIs used for these performance stock unit–based bonuses—patient satisfaction, operating margin leverage, and innovation speed—which we believe are well aligned with long-term shareholder interests. Importantly, we do not expect more one-time retention bonuses in the future.

Ongoing Monitoring and Engagement

Our engagements with the company have been constructive, and the company has demonstrated a strong commitment to governance, financial oversight, and ESG improvements. We are monitoring the company's progress on several items, including the removal of the supermajority provision, increased transparency in executive compensation disclosures, and continued advancements in regulatory compliance. We will continue the dialogue with the company in order to enhance long-term shareholder value creation.

iRhythm has come a long way in its transition from a venture-backed to a public company, and we remain committed to working with leadership to ensure continued governance enhancements and long-term value creation.

iRhythm Active Ownership Timeline

August 2020
Purchased iRhythm

May 2021
First Engagement
Addressed the CEO departure and material weakness identified in internal controls of financial reporting.

June 2021
Proxy Vote
Withheld vote for Mark Rubash due to failure to provide adequate financial oversight.

May 2022
Engagement
Discussed iRhythm's ESG practices, declassifying the board, refreshing the board, and increasing transparency.

June 2022
Proxy Vote
Voted with management due to the progress made, as two of the three material weaknesses were removed and the company hired a new CFO.

May 2023
Engagement
Discussed improvements, such as removing material weakness in financial controls risk, declassifying the board, improving executive compensation, publishing a comprehensive ESG report with three-year goals, and filling key roles, such as a director of privacy and a health equity task force.

June 2023
Proxy Vote
Supported all director nominations. Last material weakness was removed. ISS recommended withholding a vote for Bruce Bodaken as chairman of the governance committee given iRhythm's failure to remove the supermajority vote requirement in its bylaws. When we brought up this issue with the company, it acknowledged that it was on the path to fixing this.

May 2024
Engagement
Discussed how iRhythm has made significant progress in recent years , has been receptive to our feedback, and implemented or communicated a path to addressing many of our concerns.

June 2024
Proxy Vote
Supported all director nominations and executive compensation package. ISS and GL opposed this, as they believed the pay-for-performance metrics did not align with performance, mostly due to large one-time retention bonuses. Most of the management team was new and received equity awards right before the FDA/DOJ investigations. These investigations resulted from mistakes by the past management, so we believed current management should not have to pay the price.

Engagement

We primarily engage with the management teams and board members of portfolio companies through one-on-one meetings. When merited, we proactively express our views about business strategy, governance, financial reporting, executive compensation, ESG-related matters, and other considerations relevant to our investment case. If we do not agree with how the company is addressing these issues, we can lose conviction in the company's fit with our investment criteria. In such cases, we reserve the option to reduce our position or sell our shares.

We have one or more of the following objectives when we engage with a company:

- Inform our investment cases, enabling us to help build conviction in businesses and add value for our clients.
- Exchange perspectives on matters that are relevant to the interests of long-term shareholders.
- Advocate corporate change when we believe it is in the best interest of our clients.[24]
- Discuss ballot proposals and inform the company of our voting decisions.

Methods and Prioritization of Engagement

We approach active ownership of our portfolio businesses with a partnership mindset. We strive to support our businesses and develop constructive, trusted relationships with their management teams.

Business knowledge and context are critical to earning trust, in our experience. An advantage of our concentrated, high-conviction approach is that our investment professionals focus on a select handful of businesses, enabling them to get to know each one intimately and build context around a business' ESG circumstances.

We conduct each company engagement with a clear purpose. The lead research analyst has primary responsibility for setting the agenda and will commonly involve relevant portfolio managers and internal ESG specialists. The discussion topics are typically identified and prioritized based on our materiality assessment tied to the investment case or our thematic focus areas. We try to marry our bottom-up, company-specific priorities with our top-down focus on modern slavery, digital ethics, and climate change. At the start of the year, we endeavor to map engagement priorities across our portfolio companies, taking into account the material issues each company faces along with the relevant thematic focus areas. These priorities are typically informed by the topics identified in our proprietary ESG reports developed by the lead analyst. This mapped strategy aims to serve as a guide, providing us with a structured approach to engagements. However, it's important to note our engagement strategy and priorities are dynamic and may evolve throughout the year. As new issues, risks, or opportunities emerge, we are prepared to adapt and respond, ensuring our approach remains relevant and effective in addressing the changing landscape of ESG-related matters in our portfolio businesses.

24. As part of our ongoing research, Sands Capital regularly engages with the management teams and, if appropriate, board members of portfolio businesses to better understand each business's long-term strategic vision and management of risks and opportunities, including those pertaining to environmental, social, and governance (ESG) matters. Sands Capital's engagement with management teams and board members does not involve any direct or indirect attempt to exert pressure to implement specific measures, change policies, or otherwise influence control over the issuer.

Tailored Engagement Approach to Reflect Market Conditions

In our experience, ESG factors vary in importance and are highly dependent on variables such as region, country, industry, and company. Therefore, we try to understand the context of each portfolio business when determining the issues that matter to our long-term investment case.

For example, in a knowledge economy, attracting and retaining talent and having a diverse workforce may be critical determinants of the long-term success of a business offering software-as-a-service solutions.

In such a business case, we might identify human capital management as a priority issue, define specific objectives, and design a pathway to address these objectives with the management team.

Our primary strategies are organized across different markets facing diverse risks and opportunities. In our experience, management teams in certain countries may be less inclined to engage with investment managers. We seek to recognize regional cultural norms, adjust our approach accordingly, and factor these norms into our thinking about influencing progress over time.

Examples of these engagements are presented as case studies at the end of this section.

Making Governance an Engagement Priority

In an information-rich world, nontraditional financial factors are increasingly relevant to a wider range of investable companies, and they are an important consideration in the evaluation and stewardship roles Sands Capital plays. Typically, these factors are summarized under the heading "ESG," which attempts to capture environmental, social, and governance metrics. Of these three domains, the one we focus on most consistently is governance.

Governance is not necessarily the most important of the three ESG domains, but in our view, it is the factor that has the most universal application and a topic in which we most commonly find material issues to discuss with portfolio companies. It is an area in which we believe we can offer valuable insights based on our long history of engaging extensively with portfolio companies. We also believe governance is an important area for engagement because good governance tends to be a precursor to good environmental and social decision-making.

We put particular emphasis on evaluating company boards of directors. Boards can vary considerably, but there are several qualities we look for in board members:

- Independence—Are they willing to act independently of company leadership?
- Insight—Do they have the relevant skills and experience to provide effective direction?
- Diversity—Are there differing perspectives?
- Capacity—Are board members overcommitted?

Because board members are voted on annually, Sands Capital puts considerable effort into proxy voting decisions. More broadly, many governance matters are commonly included in proxy voting, providing us with a meaningful mechanism to address these issues.

As a global investment firm, we are also prepared to evaluate governance issues relevant to specific types of companies or regions with different regulatory and financial systems. Engagement in the Select Growth strategy, which focuses primarily on U.S.-domiciled growth businesses, may look different from engagement in the Emerging Markets Growth strategy, due to the disparate environments in which these businesses operate.

For example, capital structure decisions are a critical leadership issue, particularly for our holdings in emerging markets. In some cases, we might identify capital structure as a priority issue, define specific objectives, and design a pathway to discuss these objectives with the management team. Developing our understanding of these concerns is critical for our success as investment managers; it is only natural for us to provide feedback to company leaders entrusted with our client assets.

Tracking Engagement Progress

The investment team uses a custom function in FactSet's Internal Research Notes to record engagements, monitor progress, and inform future engagements. Our system allows members of the investment team to record and track the qualitative details of individual engagements. The records include the topic of engagement, any change we ask the portfolio company to make, the corporate response, dates for follow-up, and outcomes. We have also developed an engagement dashboard that not only allows easy tracking and display of metrics for our investment team but also can be used by our client relations and broader teams for overall engagement tracking and reporting.

2024 Engagement Statistics[25]

During engagements with our businesses, we try to integrate discussion of ESG issues into the conversation when relevant. In 2024, we engaged on ESG topics with 68 companies domiciled in 19 countries. In the following exhibits, we detail the range of topics covered in our discussions.

The engagement case studies on the following pages demonstrate our approach to building constructive relationships with management teams through exchanging information and perspectives and encouraging positive change in their businesses.

Engagement Statistics

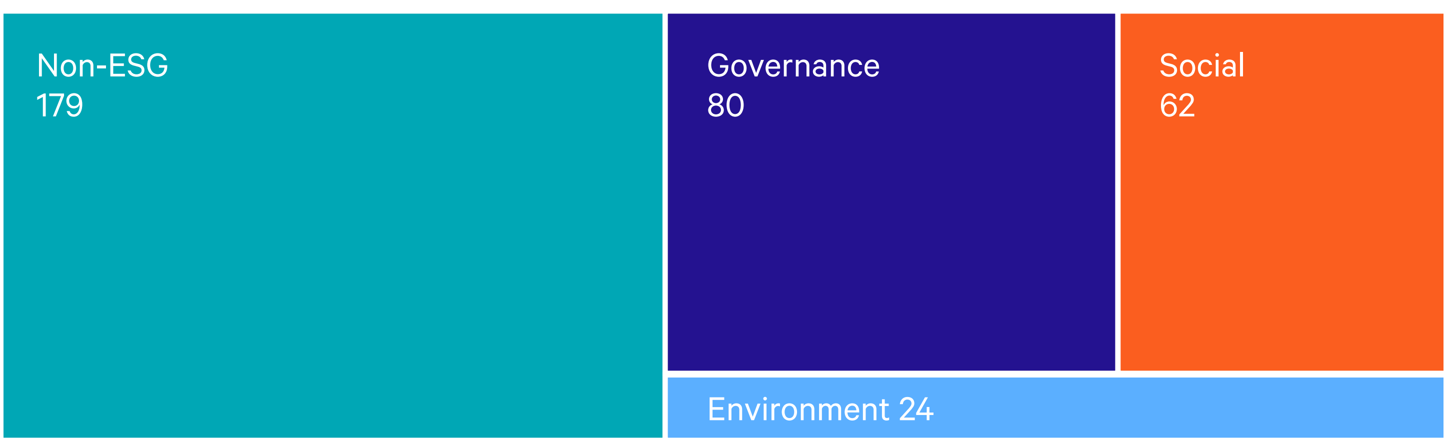
106
ESG-Related Engagements Conducted

19
Markets Covered by ESG Engagements

68
Unique Companies Engaged About ESG Topics

285
Total Engagements Conducted

ENGAGEMENTS BY CATEGORY



25. Information contained in this document has been compiled from multiple internal sources. The information is current as of the date of this document or an earlier specified date or as the context may require. It may be subject to updating, completion, revision, and amendment. There will be no obligation to update any of the information or correct any inaccuracies contained in this document. These figures, and those represented in the two exhibits in this section, include engagements made in our Select Growth, Global Growth, Emerging Markets Growth, International Growth, International Leaders, Global Leaders, Global Shariah, Technology Innovators, Global Focus, and Focus strategies.

Category	Topic	Number of Engagements in Period	Percentage of Engagements	Percentage of Topics	Number of Businesses	Percentage of Businesses
Non-ESG	Non-ESG	179	63.5%	63.5%	83	55.7%
Social	Human Capital Management	29	10.2%	3.3%	23	15.4%
Governance	Board Structure or Composition	25	8.8%	2.6%	23	15.4%
Governance	Capital Structure	24	8.4%	2.6%	21	14.1%
Governance	Regulation	24	8.4%	3.2%	19	12.8%
Governance	Increasing Transparency and Disclosure	23	8.1%	3.0%	19	12.8%
Social	Product Safety and Impact	22	7.8%	2.5%	17	11.4%
Governance	Management Accountability	20	7.0%	2.0%	18	12.1%
Governance	Executive Compensation	17	6.0%	1.6%	16	10.7%
Governance	Other Governance	17	6.0%	2.2%	16	10.7%
Governance	ESG Strategy and Oversight	14	4.9%	0.8%	12	8.1%
Social	Regulation	14	4.9%	1.5%	14	9.4%
Governance	Shareholder Protection and Rights	14	4.9%	1.3%	12	8.1%
Social	Labor Rights	12	4.2%	1.2%	9	6.0%
Environment	Energy Use and Efficiency	11	3.9%	1.1%	8	5.4%
Environment	GHG Emissions or Climate Change Strategy	11	3.9%	0.7%	10	6.7%
Environment	Environmental Policy and Strategy	10	3.5%	0.7%	9	6.0%
Social	Human Rights	9	3.2%	1.0%	7	4.7%
Social	Health and Safety	7	2.5%	1.2%	7	4.7%
Social	Data Security and Privacy	6	2.1%	0.4%	6	4.0%
Environment	Materials Use and Sourcing	6	2.1%	0.7%	5	3.4%
Governance	Related-Party Transactions	6	2.1%	0.6%	6	4.0%
Social	Other Social	5	1.8%	0.7%	5	3.4%
Environment	Pollution and Waste Management	5	1.8%	0.3%	5	3.4%
Environment	Water Use and Efficiency	5	1.8%	0.4%	4	2.7%
Social	Diversity and Inclusion	4	1.4%	0.6%	4	2.7%
Social	Digital Ethics	3	1.1%	0.2%	3	2.0%
Environment	Other Environmental	3	1.1%	0.1%	3	2.0%
Governance	Audit and Accounting	2	0.7%	0.1%	2	1.3%
Environment	Regulation	1	0.4%	0.1%	1	0.7%
Total		**285**	**100.0%**	**100.0%**	**105**	**70.5%**

Engagement Case Studies

The engagement case studies on the following pages demonstrate our approach to building constructive relationships with management teams, through both exchanging information and supporting positive change in their businesses.

AJINOMOTO

Business: Ajinomoto is a global leader in amino acids and Japan's largest seasonings firm.

KeyIssue: Product safety and impact.

Strategies: International Growth, International Leaders, Global Leaders, and Global Shariah.

Background

Ajinomoto has a long history of amino acids research and application. This has recently led to uses for amino acids in industries such as healthcare and semiconductors. However, the company is best known for creating the flavor enhancer monosodium glutamate (MSG), as well as other foods and seasonings. Some of these products have faced scrutiny for their associated health risks.

After our initial due diligence, we determined some of these claims were unfounded. Nevertheless, before initiating a position in the company, we wanted to know what internal processes Ajinomoto had in place to mitigate these risks.

Activity and Outcome

Clarifying Misconceptions

It was imperative that we understood the safety of MSG because it accounts for 15 percent of Ajinomoto's total company sales. Stemming from an allegation published in a U.S. medical journal in the 1960s, MSG has faced concerns about its safety. More recently, the FDA and the United Nation's Joint FAO/WHO Expert Committee on Food Additives (JECFA) have both determined there is no credible evidence that MSG is harmful when consumed as part of a person's diet. Our research leads us to agree with these assessments, given that MSG has a stronger flavor profile than salt with significantly less sodium.

Ajinomoto also distributes several artificial sweeteners, including aspartame. The company is a market leader in aspartame, with approximately 15 percent of global market share. We engaged with the investor relations team at Ajinomoto to understand how it addressed claims of health risks associated with aspartame.

Ajinomoto representatives reassured our investment team about aspartame's safety. The company indicated it constantly communicates the safety of its products to the public. These communication efforts include referencing scientific evidence, such as a reassessment by the JECFA of aspartame's safety. Ajinomoto also leverages research done by beverage manufacturers purchasing aspartame from it. All of this information is relayed to relevant stakeholders, informing these groups about the safety of the company's products.

Engagement Driving Investment Action

Although we still have some questions about artificial sweeteners, we believe the company's financial risks are minimal, given that artificial sweeteners account for approximately 1 percent of Ajinomoto's total sales. Following our extensive due diligence and engagement with the company on its potential risks, we became comfortable initiating a position in Ajinomoto.

Localiza&co

Business: Localiza is a leading diversified mobility platform in Brazil.

Key Issues: Executive compensation, ESG strategy and oversight, environmental policy and strategy, GHG emissions or climate change strategy, and human capital management.

Strategy: Emerging Markets Growth.

Localiza is Brazil's largest provider of car rentals, fleet rentals, and car subscriptions by market share. Founded in 1973, the firm has grown into one of the largest publicly traded car rental businesses globally. The company's management team is widely respected for its ability to deliver on strategic objectives. Our recent engagement with Localiza's chairman, lead independent board director, and head of investor relations focused on reviewing the firm's ESG policies.

Activity and Outcome

Incentive Structure and Succession Planning

We primarily sought to understand the company's stock grant program, which aims to instill an ownership mindset among its executives. With the founding leadership beginning to step back from day-to-day operations, the program supports leadership continuity. It includes a backloaded vesting schedule tied to financial and ESG metrics. Currently, only the CEO and chief operating officer (COO) participate in the plan. While we support the program's structure and intent, we recommended broadening participation to include more diverse leaders. Expanding the group of beneficiaries may bring additional perspectives and enhance oversight of potential risks.

Progress on Environmental Disclosures

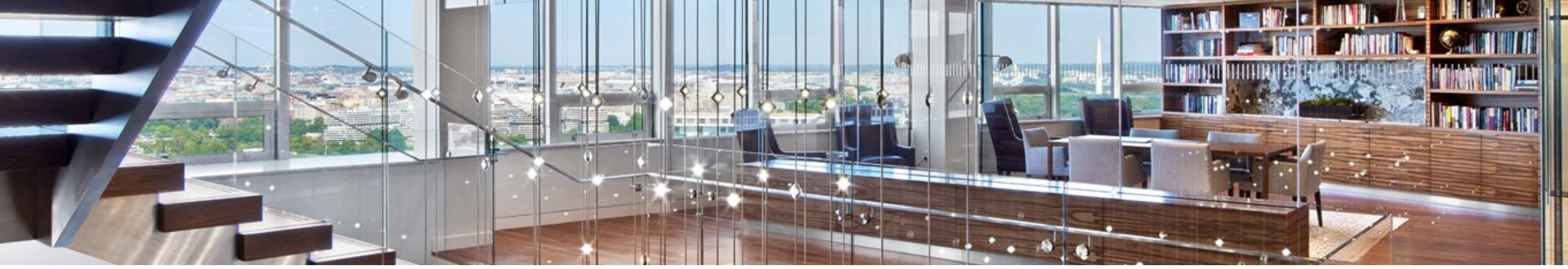
We also discussed Localiza's progress on environmental matters. Although the company has not yet set a science-based emissions reduction target, it does offset its Scope 1 and Scope 2 emissions. Company representatives shared that they are actively evaluating several science-based targets and anticipate disclosing a formal commitment soon. We intend to follow up with Localiza's ESG team regarding future disclosures, particularly around carbon offsets.

Gender Diversity and Human Capital Development

Our engagement also addressed gender diversity within the company. Women represent about half of middle management, but just one of 12 senior managers is a woman. Localiza responded positively, noting that it has committed resources toward career development programs for women and internal initiatives to raise awareness of gender equity. One such initiative is a company-hosted podcast that highlights perspectives on gender diversity.

Conclusion

Localiza's approach to ESG reflects a thoughtful and proactive management culture. We value the transparency and responsiveness shown during this engagement and look forward to continuing our dialogue with the firm's leadership on these and other stewardship matters.



Escalation

Portfolio companies can and do disagree with issues Sands Capital identifies as relevant and in the best interests of long-term shareholders during our engagements. Because of our long-term investment horizon, however, we can be both patient and persistent in discussing our concerns with management or, if necessary, with the board.

When we do not support how the issues are addressed by company leadership and its board, we look for opportunities to discuss concerns via annual proxy votes. We are a sizable minority shareholder in many of the companies we invest in, which means companies are typically willing to engage with us.

Ultimately, if management is unable or unwilling to address our concerns, it could reduce our conviction in the company's fit with our investment criteria. In such cases, we reserve the option to reduce our position or sell our shares.

When we do not support how issues are addressed by the company, we may escalate the issues through any of the following channels:

- Advancing the conversation from management to board level.
- Speaking only to independent board members.
- Writing letters to the board of directors.
- Voting on the issue.
- Voting against the relevant board members.
- Potentially reducing our stake or selling the business if we feel the issue has impaired the company's fit with our investment criteria.

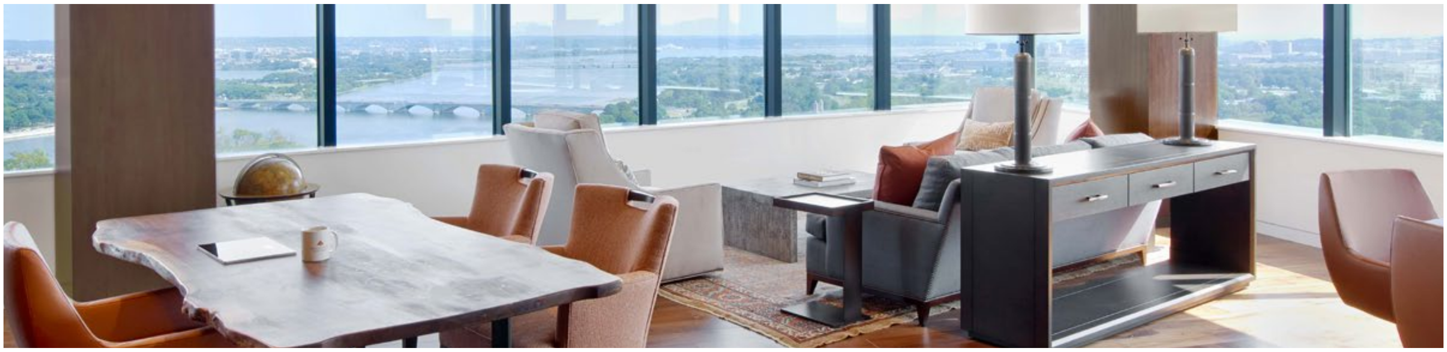
Escalation Case Study: Airbnb

During Airbnb's 2024 proxy vote, we withheld support for a key board member, citing long-standing concerns around governance practices we had raised with the company the prior year.

Specifically, we withheld our vote for Kenneth Chenault, a member of the Nominating and Corporate Governance Committee, due to the board's failure to address several shareholder-unfriendly provisions that have been in place since the company's IPO. These include maintaining a multi-class capital structure, a classified board, and supermajority voting requirements—each of which limits shareholder rights and accountability, and collectively signal board entrenchment. We believe best practice is for companies to evolve these provisions over time, particularly as they transition from founder-led governance to a more mature public company framework that prioritizes accountability to all shareholders. Our position was aligned with Institutional Shareholder Services (ISS), which also recommended a withhold vote for the director based on these same governance concerns.

In addition, we withheld our vote for Angela Ahrendts, who failed to attend at least 75 percent of board and committee meetings during the year under review. ISS also recommended a withhold vote for Ahrendts based on this issue. We believe directors should attend at least 75 percent of meetings.

This escalation reflects Sands Capital's continued focus on promoting sound governance structures that protect and empower shareholders. When companies do not demonstrate progress on these critical issues, we take action to reinforce our stewardship priorities.



Proxy Voting

We consider the proxy an asset of the client, which must be treated with the same care, diligence, and loyalty as any asset belonging to the client.

Leveraging Domain Expertise to Make Informed Voting Decisions

We are among the largest institutional shareowners of many of our portfolio companies. The management teams of many of these companies often consult with us on their proposals before their general meetings. We use these engagements, along with others we initiate, to gain context and understand the intentions of management's recommendations. When we do not support a proposal, we may offer constructive suggestions to align with long-term shareholder interests.

Voting decisions are typically directed by the lead research analyst and often informed by supporting members of our global research team and internal ESG specialists. We believe our lead analysts are the most knowledgeable about the company and, hence, best suited to evaluate each proposal in the context of our long-term investment case. They carefully consider the short- and long-term implications of each proposal and seek to vote shares in the best interest of our clients and other long-term shareowners.

To make our voting decisions, we typically consider company proxy documents, our proprietary research on the business, recent discussions with management, and third-party analysis. We receive reports from several independent proxy advisors—including Institutional Shareholder Services (ISS), Glass Lewis (GL), and Stakeholder Empowerment Services (SES)—that may help us summarize information from the companies' proxy documents. While we do consider proxy advisors' guidance, we do not delegate our voting or default to their recommendations in our voting decisions. Instead, we make decisions based on our research and our proxy voting policy.

We also develop internal reports to assist in prioritizing proxy topics. We begin each year by collating the significant and contentious proposals of the previous year, using past records and shareholder advocacy information. These issues are cross-referenced with information from the Council of Institutional Investors (CII) to flag potential controversial proposals. This report is shared with analysts covering their respective companies and with portfolio managers to review on a strategic level. It aims to inform analysts and portfolio managers of potentially significant and/or contentious upcoming proxy votes, allowing us time to assess every situation.

Proxy Voting Policy

We publish our voting policy on our website at sandscapital.com/stewardship. The policy is applied uniformly across all our investment strategies, vehicles, account types, and geographies. A dedicated committee oversees our proxy voting process and maintains our voting guidelines. The committee reviews these guidelines each year and updates them as needed.

As active, fundamental research-driven, business-focused investors, we strongly prefer to assume direct responsibility for voting on our clients' behalf. By aggregating such responsibility, we seek to be more effective stewards of our clients' capital. We also retain the voting authority for all pooled funds we manage. However, segregated account clients who maintain their own general or specific proxy voting and governance policies may choose to assume voting rights and have their proxies voted by an independent third party or another named fiduciary or agent. These accounts make up about 21 percent of our client base. Such cases are increasingly uncommon, and approximately 79 percent of our clients follow our house voting policy.[26]

79%

of our clients follow our house voting policy

We generally vote all shares electronically, except for rare instances in which ballots have time constraints, or there is a lack of custodian functionality with the ISS voting platform. In these cases, the paper ballot must be filled out by hand and faxed to the custodian for processing. In the past, we had one account that needed this treatment due to functionality issues with the custodian for international meetings. Under rare circumstances, we may attend the annual shareholder meeting. The reasons for this could be as simple as being invited and relatively close to the venue where the meeting is held, or a contentious proxy contest in which we hold a substantial percentage and want to attend to hear the board's responses to other shareholders' dissent on the floor.[27]

Account Processing and Voting Process

When a new client has delegated voting authority to Sands Capital, the account is set up in APX (our portfolio accounting system) and on our proxy voting platform. The proxy administrator ensures letters of authorization are sent to the client's custodian so its ballots are forwarded to the proxy voting platform. Once the client is set up on the proxy voting platform, the proxy administrator reconciles the ballots of upcoming proxy meetings. Reconciling is done manually with an APX report as of the record date and the proxy voting platform ballots. If there are any missing ballots, the proxy administrator contacts the client's custodian for the control number(s). Upon receiving the control number(s), the proxy administrator sends them to the proxy voting platform to be uploaded on the platform.

The analyst responsible for voting at a company's proxy meeting is contacted via email through the ISS Communicator tool. This communication includes the meeting information and a link to submit their vote and rationale. The analyst, after determining how they intend to vote, contacts another analyst, portfolio manager, or the proxy specialist for a peer review of their votes and rationale. After the peer review has been completed, the vote is submitted. ISS Communicator notifies the proxy administrator that the meeting has been voted on. The proxy administrator applies the analyst votes and rationale to all the ballots on the proxy voting platform and checks for peer review. Once the proxy administrator has reviewed the entire ballot, the vote is processed and approved. The proxy administrator stores all materials for the meeting (e.g., audit, proxy research, vote confirmation, etc.).

26. Sands Capital may process certain proxies without voting them or may systematically vote with management. Examples include, without limitation, proxies issued by companies Sands Capital has decided to sell, proxies issued for securities that Sands Capital did not select for a client portfolio, such as securities that were selected by a previous advisor, unsupervised or nonmanaged securities held in a client's account (such as exchange-traded funds), money market securities, or other securities selected by clients or their representatives other than Sands Capital.
27. Ibid.

Share Blocking

We strive to vote on every company ballot in every geography. While share blocking—in which shares that will be voted at the meeting cannot be sold until the meeting has taken place and the shares are returned to the client's custodian banks—has become less common, there may be cases in which it occurs. In such cases, shareholders wishing to vote their proxies must deposit their shares with a designated depositary shortly before the date of the meeting. If there are no compelling reasons to the contrary, we believe the benefit to the client of exercising the vote is outweighed by the cost of voting (i.e., not being able to sell the shares during this period). Accordingly, if share blocking is required, we will typically elect not to vote for those shares. The investment team, in conjunction with the proxy committee, retains the final authority to determine whether to block the shares in the client's portfolio or to pass on voting.

Securities Lending

If a client participates in a securities lending program, we will not be able to vote the proxy of the shares out on loan. We generally do not seek to recall securities to vote the client shares on loan. However, under rare circumstances, if we determine the benefit of voting outweighs the costs, the lost revenue to the client, and the administrative burden of retrieving the securities for voting issues that may have a particularly significant impact on the investment, we may ask a client to recall securities that are on loan. The global research team member who is responsible for voting for the proxy will notify the proxy committee in the event they believe a recall of loaned securities is necessary.

We Voted Against ISS

11%

of the Time in 2024

Voting Statistics

We voted on 99.8 percent of all eligible items during the reference period.[28] Of those votes, we cast 96 percent in line with management recommendations and about 4 percent in opposition to management's recommendations. We voted in line with ISS recommendations 89 percent of the time and against ISS 11 percent of the time.

All our proxy-voting activity for the trailing 12 months is updated and published monthly on our website at sandscapital.com/stewardship. Our voting decisions are reported for our aggregate universe of companies owned, as well as for each of our flagship investment strategies. In addition, we publish a summary of proxy-voting key indicators in our quarterly investment strategy reports, which are emailed directly to clients and their consultants and are available to other stakeholders via our public website or upon request.

28. Sands Capital may process certain proxies without voting them or may systematically vote with management. Examples include, without limitation, proxies issued by companies Sands Capital has decided to sell, proxies issued for securities that Sands Capital did not select for a client portfolio, such as securities that were selected by a previous advisor, unsupervised or nonmanaged securities held in a client's account (such as exchange-traded funds), money market securities, or other securities selected by clients or their representatives other than Sands Capital.

Votes Against Management

One of our investment criteria is a clear mission and value-added focus, which includes the overall quality of the management team. Because of our extensive research and diligence before investing in a business, we have a high degree of trust in the management of the companies we own. When voting proxies, we, therefore, place significant emphasis on management recommendations and tend to vote in line with the company. We prefer to use votes against management as a last resort or escalatory measure and will usually seek to engage a company first.

Our votes against management during the reporting period most frequently pertained to proposals on electing directors, compensation, capitalization, and other business "blank check" items, as well as shareholder proposals. The graph to the right provides a full breakdown by category of our votes against management.

Votes in Favor of Shareholder Proposals

Shareholder proposals we voted in favor of in 2024 include the following:

- Approve recapitalization plan for dual-class share structure.
- Adopt a simple majority vote standard.
- Declassify the board of directors.
- Report on child safety and harm reduction.
- Commission third-party audit on working conditions.
- Appoint alternate internal statutory auditor(s) and approve auditor's/auditors' remuneration.
- Approve capital structure proposals on repurchasing shares.
- Elect directors.

SANDS CAPITAL VOTES AGAINST MANAGEMENT IN 2024

Proposal Type	No. of Proposals	Percentage
Compensation	16	25%
Director Election	15	23%
Director-Related	10	15%
Routine Business	7	11%
Company Articles	5	8%
Capitalization	4	6%
Strategic Transactions	2	3%
Social	2	3%
Non-Routine Business	2	3%
Corporate Governance	1	2%
Takeover-Related	1	2%
Total	65	100%

Rounding may cause figures to vary from 100 percent.

Board of Directors

We may vote against directors for a variety of reasons:

- Director qualifications are insufficient and not aligned with the firm's industry or strategy.
- The board is not majority independent.
- There are issues with attendance.
- The director sits on too many boards.
- The company lacks formal and/or independent audit, compensation, or nominating committees.
- The director is the chair of a committee, e.g., compensation, and we want to voice dissatisfaction with the committee's work.

We typically avoid voting against all nominees unless the circumstances are extreme and we need to escalate an issue.

Sometimes, we face trade-offs in our engagement and proxy voting goals. We believe such cases are the reason why a case-by-case approach to engagement and proxy voting works best and why we hesitate to apply a rigid rules-based approach to proxy voting decisions.

Dual-Class Share Structures

We recognize the value that dual-class structures may provide newly public companies as a way to combat short-termism and adversarial initiatives. However, such structures also have the potential to introduce risks and can create misalignment if used inappropriately. These potential risks include a culture of entrenchment that diminishes the company's ability to adapt to changing market environments. As a result, we believe there should be a thoughtful mechanism for the expiration of supervoting rights (so-called sunset provisions) at a specified point in the future or upon a triggering event (e.g., the founder is no longer involved in the day-to-day of the business or their economic stake falls below a certain threshold, etc.) that makes the most sense for the longevity of the business.

We also support proposals that seek recapitalization to one vote per share, and we are equally supportive of management when sunset provisions are in place. Consistent with our voting over the last three years, in 2024 we voted in favor of a shareholder proposal with recapitalization plans seeking to eliminate dual-class voting structures at Alphabet and Meta. In 2024, these were the only companies for which we had the option to vote on a shareholder proposal regarding dual-class share structures.

Executive Compensation

A well-structured compensation plan should align the interests of management with those of the company and its shareholders. It should consider a company's unique strategy, competitive position, industry, geography, and stage of growth. We may vote against a company's compensation plan if we believe it does not foster a long-term focus among its executive officers and if the compensation package seems excessive, opaque, or inconsistent with the stated trajectory of the business. We typically vote against management say-on-pay proposals due to several factors, such as a lack of performance targets for new hires and promotions or an excessive amount of restricted stock units compared to peers.

Say-on-pay proposals are less common in markets outside the United States. In these cases, we rely on engagement with companies to share our views on compensation structures to align with shareholder interests.

Executive Compensation Case Study

zalando

Business: Zalando is the largest ecommerce apparel retailer in Europe, based on market share.

Key Issues: Executive compensation and digital ethics.

Strategies: Global Growth and International Growth.

Zalando has continued to enhance its ESG practices over the past two years as part of its effort to become a more sustainability-oriented fashion platform. The company, which sells full-priced, in-season merchandise from leading apparel brands across 23 countries, has made tangible progress in key areas. We have met with Zalando leadership multiple times the last two years to monitor its ESG efforts and share perspectives on other emerging issues.

Activity and Outcome

In 2024, Zalando invited our input on its updated executive compensation plan. The company actively engaged with us and other shareholders after incorporating feedback from an earlier investor consultation. Zalando values our perspective because of our position as one of its largest shareholders and our long-term investment philosophy.

In our latest discussion, Zalando shared meaningful adjustments to its compensation structure. These changes reflect a desire to remain competitive in Europe's tight talent market while also aligning executive incentives with shareholder interests. Germany's strict corporate governance code further informs Zalando's approach.

We support the inclusion of both revenue growth and profitability in the long-term incentive plan. These metrics now follow a rolling performance model, replacing the earlier sequential approach. We previously advocated for a profitability target, and we view this update as a positive development. In addition, equity awards tied to ESG performance goals further reinforce long-term value creation. We believe these enhancements strengthen the overall alignment between management and long-term shareholders.

Next Steps

Our ongoing dialogue with Zalando has highlighted the thoughtful approach the company is taking toward ESG issues and technological innovation. We will continue our engagement as the company works toward its sustainability goals and evaluates emerging technologies with long-term implications.

7 Accountability

We are taking measures to monitor and strengthen policies, processes, and practices that enable effective stewardship on an ongoing basis.

Reviewing Our Policies and Procedures

At Sands Capital, we have numerous policies that govern our responsible investment and stewardship activities. Policy review is critical to ensuring we are fully aligned with our values and that our policies enable active stewardship. To evaluate their effectiveness, we use:

- Internal reviews conducted by our own investment and compliance teams and relevant internal stakeholders. All changes and new policies are approved by the relevant oversight body within Sands Capital.
- Reviews by third-party consultants, such as Slave-Free Alliance (SFA).

Our policies are reviewed regularly, and the methods we employ for review vary depending on the policy. The table on the following page outlines the key policies related to our ESG integration and active ownership activities and lays out the related review processes.

Fair, Balanced, and Understandable Stewardship Reporting

In addition to the commitments laid out in our policies, we work to regularly provide fair, balanced, and understandable reporting on stewardship matters. Our stewardship reporting is subject to the same standards as all other public communications, according to SEC regulations. All our disclosures and marketing materials are reviewed internally by our compliance team. Additionally, we engage third-party consultants to review and provide feedback on specific disclosures. Examples of this reporting include:

- Our annual stewardship report, which is designed to be transparent, publicly accessible, and relevant. We have made a concerted effort to provide context and real-world examples that give our stakeholders a complete story. The report goes through levels of approval by the director of stewardship, head of marketing and communications, and chief investment officer and CEO.
- In-depth quarterly reports, which we provide to our clients. These reports include investment performance, ongoing stewardship efforts, and engagement case studies for our flagship investment strategies comprising 91 percent of client capital under management.

In addition to internal and consultant reviews, our stewardship reporting also continues to evolve in response to client feedback.

Example of Improving Stewardship and Transparency Through Regular Review

Our stewardship reviews have allowed us to continually improve our process. For example, as a U.S.-domiciled investment management firm doing business in the U.K. and Australia, we are legally required to comply with the U.K. Modern Slavery Act 2015 and the Australian Modern Slavery Act 2018. Therefore, we publish a Modern Slavery Act Annual Transparency Statement, which has led us to further develop the modern slavery risk management process associated with our investments and corporate operations.

This statement is reviewed annually, and we believe it has enabled us to better mitigate modern slavery risks on the portfolio and operational levels by considering the ethical concerns, increasing regulations, and reporting requirements with regard to modern slavery.

In June 2024, we released our 2023 Modern Slavery Act Annual Transparency Statement. It includes specific actions taken in 2023 and outlines key focus areas for 2024, including continuing our progress on the priorities identified in a gap analysis conducted by SFA.

We believe this statement represents a continuous improvement in our stewardship processes, and the enhanced transparency provides stakeholders with greater insight into our holistic focus on this important topic.

KEY POLICIES RELEVANT TO ESG INTEGRATION, ACTIVE OWNERSHIP ACTIVITIES, AND REVIEW PROCESSES

Policy Description	Review Process
ESG Policy This overarching policy details our ESG integration process and the guiding principles behind it.	**Cross-Functional Stewardship Group** This policy is overseen and administered by the cross-functional stewardship group composed of professionals who are responsible for guiding our stewardship program execution. The cross-functional stewardship group sets goals and objectives, monitors and reports progress, and identifies continuing education opportunities for staff.
Proxy Voting Policy and Procedures The policy specifies internal processes for our proxy voting activities. Additionally, all proxy votes are recorded and publicly shared on our website under our stewardship documents.	**Proxy Voting Committee** This policy is overseen by our proxy committee, which consists of five permanent members: the chief administrative officer, the chief compliance officer, a director of client relations, the director of stewardship, and a member of the research team. The proxy committee meets at least annually and as necessary to fulfill its responsibilities. A majority of the members of the proxy committee must be present for the transaction of business. The chief administrative officer or designee acts as secretary of the proxy committee and maintains a record of proxy committee meetings and actions. As part of a broader annual internal controls examination conducted by an external party, our procedures are tested to verify our proxy voting is conducted as outlined in our Proxy Voting Policy.
Engagement Policy The policy details our approach to engagement.	**Cross-Functional Stewardship Group** The policy is administered by the cross-functional stewardship group, which is a group of professionals who are responsible for guiding the execution of our stewardship program, including engagement activities.
Modern Slavery Act Annual Transparency Statement This statement introduces us, our business, and our efforts to address modern slavery through our business operations, investment activities, and training.	**Core Stewardship Team** The current statement was published by the core stewardship team on June 13, 2024. It is reviewed annually and signed by our chief investment officer and CEO.
Service Provider Due Diligence Policy The policy outlines our approach to conducting due diligence on unaffiliated service providers and vendors.	**Chief Administrative Officer** The chief administrative officer reviews the policy as needed. The most recent review was conducted in June 2022. The head of each functional team is responsible for the implementation and monitoring of this policy and its embedded procedures for service providers engaged by the functional team. A third-party risk management (TPRM) firm and a software application help the team implement this policy and the related procedures. The head of each team is responsible for ensuring all applicable service providers are evaluated for risk and, if necessary, using the TPRM firm to conduct and review assessments.
Vendor Code of Conduct We maintain a vendor code of conduct embedded within our service provider due diligence policy. This code sets forth our expectations for current and future vendors.	**Chief Administrative Officer** The chief administrative officer reviews the code for any updates or changes needed as part of the service provider due diligence policy review.

Managing Conflicts of Interests

Sands Capital believes effective management of conflicts of interest—a key aspect of global and regulatory risk management—is critical for ensuring good client outcomes. As a fiduciary and an investment advisor to a variety of clients, we understand the actual or potential conflicts of interest that are inherent in our activities.

Policies and Processes Concerning Potential Conflicts of Interest

To address conflicts of interest, Sands Capital has established a conflicts of interest board made up of senior executives and led by the general counsel and chief compliance officer. The board assesses and makes recommendations with respect to conflicts of interest and related policies and procedures with the best interests of clients and beneficiaries in mind.

Sands Capital also maintains numerous policies that address potential conflicts of interest in the investment process:

- The Code of Ethics sets forth standards of conduct, including compliance with federal securities laws, reporting of personal securities transactions, and prompt reporting of violations of this code.
- The Research, Portfolio Management, and Portfolio Implementation Policy addresses manipulative trading practices.
- The Form ADV sets forth Sands Capital's policy for placing client trades and disclosing its procedures for seeking to obtain the best execution on client trades.
- The Insider Trading Policy implements reasonable procedures, considering the nature of Sands Capital's business, designed to prevent the actual or apparent misuse of material nonpublic information by Sands Capital staff members.
- The Proxy Voting Policy and Procedures lays out procedures for the identification and voting of proxies, as well as procedures for resolving material conflicts of interest before voting client proxies.

As set forth in various Sands Capital policies, it is the responsibility of each staff member to identify potential conflicts. To ensure the policies are implemented at the core of our practices and are adhered to, all employees are required to confirm the review of the Code of Ethics annually. All employees also receive training on an ad hoc basis when a policy is updated. These trainings are designed to:

- Provide employees with an awareness and understanding of potential conflicts of interest.
- Provide employees with an understanding of their responsibilities.
- Drive continuous improvement in the management of any conflicts.

Sands Capital requires all staff to disclose potential conflicts of interest in regular quarterly and annual compliance attestations. The firm provides supplementary training to all investment staff, equipping them to effectively address risks specific to corporate engagements and related stewardship activities. This includes training on situations in which staff may come into possession of material nonpublic information.

Potential Conflicts of Interest Scenarios

While it is rare for conflicts of interest to arise at Sands Capital, we remain highly committed to identifying conflicts that might occur. The table below identifies a few potential conflict scenarios that are addressed by our policies and processes.

	Management and Actions
Scenario 1 Sands Capital votes on behalf of a segregated client who is affiliated (parent or subsidiary) with a listed company owned in the client's account(s).	In cases in which we have full voting discretion for the client, we would vote in line with our Proxy Voting Policy in accordance with the client's investment management agreement. As conflicts of interest that may impair our ability to vote proxies objectively are identified, the Proxy Voting Policy requires staff to escalate the conflicts to the chief administrative officer and/or chief compliance officer. Upon notification, the chief administrative officer and/or chief compliance officer will notify the proxy committee, which will determine whether the conflict is material. If it is determined to be a material conflict with the proxy proposal, we will vote on the proposal in accordance with the determination of the proxy committee. Guidance from independent third parties may be used for recommendations on how to vote on the proposal.
Scenario 2 Sands Capital votes on behalf of a client who owns a listed company in their account and is affiliated with the investment advisor of a fund vehicle that is subadvised by Sands Capital.	In cases in which we are a subadvisor of a fund that holds a company owned by a client, we would vote in line with our Proxy Voting Policy in accordance with the client investment management agreement. As conflicts of interest that may impair our ability to vote proxies objectively are identified, the Proxy Voting Policy requires staff to escalate the conflicts to the chief administrative officer and/or chief compliance officer. Upon notification, the chief administrative officer and/or chief compliance officer will notify the proxy committee, which will determine whether the conflict is material. If there is determined to be a material conflict with the proxy proposal, we will vote on the proposal in accordance with the determination of the proxy committee. Guidance from independent third parties may be used for recommendations on how to vote on the proposal.
Scenario 3 Sands Capital votes on behalf of a client who is an officer or director of a listed company that is owned in the client's account.	In cases in which a client is also an officer or director of a company owned in their portfolio, we would vote in line with our Proxy Voting Policy in accordance with the client investment management agreement. As conflicts of interest that may impair our ability to vote proxies objectively are identified, the Proxy Voting Policy requires staff to escalate the conflicts to the chief administrative officer and/or chief compliance officer. Upon notification, the chief administrative officer and/or chief compliance officer will notify the proxy committee, which will determine whether the conflict is material. If it is determined to be a material conflict with the proxy proposal, we will vote on the proposal in accordance with the determination of the proxy committee. Guidance from independent third parties may be used for recommendations on how to vote on the proposal.
Scenario 4 Sands Capital votes on behalf of a segregated client on a proposal that has been put forth by the client.	In cases in which a client has submitted a proposal to a company we hold in any strategy, we would vote in line with our Proxy Voting Policy in accordance with the client investment management agreement. As conflicts of interest that may impair our ability to vote proxies objectively are identified, the Proxy Voting Policy requires staff to escalate the conflicts to the chief administrative officer and/or chief compliance officer. Upon notification, the chief administrative officer and/or chief compliance officer will notify the proxy committee, which will determine whether the conflict is material. If it is determined to be a material conflict with the proxy proposal, we will vote on the proposal in accordance with the determination of the proxy committee. Guidance from independent third parties may be used for recommendations on how to vote on the proposal.
Scenario 5 Sands Capital votes on behalf of clients in a listed company with which a Sands Capital staff member—who has influence over the voting decisions, presumably the lead research analyst and/or a portfolio manager—has an affiliation.	In cases in which a Sands Capital staff member is affiliated with a company and has influence over voting decisions, we would vote in line with our Proxy Voting Policy in accordance with the client investment management agreement. We also implement a two-person policy (i.e., peer review to ensure proper voting decisions). In addition to peer review, we must attest quarterly about any directorships or influential roles with public and private companies to avoid this situation. As conflicts of interest that may impair our ability to vote proxies objectively are identified, the Proxy Voting Policy requires staff to escalate the conflicts to the chief administrative officer and/or chief compliance officer. Upon notification, the chief administrative officer and/or chief compliance officer will notify the proxy committee, which will determine whether the conflict is material. If it is determined to be a material conflict with the proxy proposal, we will vote on the proposal in accordance with the determination of the proxy committee. Guidance from independent third parties may be used for recommendations on how to vote on the proposal.

8 Tools and Service Providers

Tools and service providers enable us to better fulfill our client and stakeholder needs. We believe the responsible use and management of our providers is integral to ensuring thoughtful stewardship.

Complementing Domain Knowledge With Appropriate Tools and Service Providers

Executing a successful stewardship program is resource-intensive, in our experience. Therefore, we strive to responsibly use and manage our tools and service providers. These providers offer us access to aggregated datasets, tools, and frameworks that would be difficult for us to create on our own. Managed well, these providers enable us to accomplish more for our clients and other stakeholders.

Our Tool Stack lists the service providers we use in our stewardship program. It includes independent third-party research providers that assist our analysts' decisions. The reports generated by these providers often include helpful assessments of our portfolio companies' performance and governance practices. However, we do not rely solely on third-party reports, as we highlight in the case study at the end of this section.

OUR TOOL STACK

ESG Research	MSCI ESG Research	MSCI Carbon Footprint Calculator/ Climate Value-at-Risk	Sustainalytics
Proxy Voting Research	Institutional Shareholder Services	Glass Lewis	Stakeholders Empowerment Services
Business Involvement Screening	MSCI ESG Research	Sustainalytics	
Standards and Frameworks	SASB Standards (Now integrated into ISSB)	Task Force on Climate-Related Financial Disclosures	UN Global Compact
Technology Platforms	FactSet	Microsoft Power BI	

Sustainalytics, a Morningstar company, rates the sustainability of listed companies based on their environmental, social, and corporate governance performance. Institutional Shareholder Services' group of companies empowers investors and companies to build for long-term and sustainable growth by providing high-quality data, analytics, and insight. SASB Standards help companies disclose relevant sustainability information to their investors. Available for 77 industries, the SASB Standards identify the sustainability-related risks and opportunities most likely to affect an entity's cash flows, access to finance and cost of capital over the short, medium, or long term, and the disclosure topics and metrics that are most likely to be useful to investors. The UN Global Compact is a nonbinding U.N. pact to encourage businesses and firms worldwide to adopt sustainable and socially responsible policies and to report on their implementation. FactSet Research Systems Inc., trading as FactSet, is a U.S. financial data and software company. Glass Lewis is a provider of global governance solutions. Stakeholders Empowerment Services is a corporate governance research and advisory firm. Microsoft Power BI is a unified, scalable platform for self-service and enterprise business intelligence. Microsoft is a Sands Capital holding.

To support the development of our stewardship program, we also engage with third-party consultants and specialists who offer comprehensive assessments of our ESG practices, in-depth research that complements our domain expertise, and tools, such as carbon accounting software.

Sands Capital's policy is to conduct diligence on its service providers using a risk-based approach. Our business managers are responsible for assessing the importance of the services provided and the suitability, performance, and commercial value of the service provider to the firm and our clients. Our legal, operations, and technical professionals contribute to conducting ongoing due diligence that we deem appropriate based on our risk assessments. Furthermore, service providers that deliver mission-critical services, as determined by risk assessments, are an important component of our business continuity plan, considering that a disruption in service could affect the firm's operations and, ultimately, our clients.

We may also use an outside third-party risk management (TPRM) specialist to supplement our vendor examinations. The TPRM program may use different due diligence processes tailored to vendor type and the risks presented. Certain reviews are conducted entirely in-house by subject matter experts. When used, the TPRM specialist contacts new and existing vendors (when applicable) on our behalf to complete due diligence questionnaires and obtain system and organizational control audits, assessments, policies and procedures, and other required documentation based on the risk profile of the service provider. Furthermore, the TRPM specialist reviews all materials submitted by the service provider and flags areas of concern to the business relationship owner at Sands Capital. While the TPRM specialist conducts the due diligence on our service providers, the business relationship owner focuses on assessing the performance and commercial value of the service provider to the firm and our clients.

A typical assessment seeks to evaluate the service provider's internal controls, audit report (if applicable), information security policy and/or privacy policy, data breaches, business continuity plan, conflicts of interest, significant personnel changes, pending litigation, and any material changes to its business, operations, and financial stability, among other factors.

In the instance of an unsatisfactory review, risk assessment, or performance not meeting our expectations, we may choose to engage with the service provider at our discretion to resolve our concerns. If we determine the service provider is unable to effectively address our issues, we will terminate our contract with the provider.

Generally, the service providers supporting our stewardship program meet our performance expectations. With regard to ESG data research providers, we believe in supporting active feedback loops in an effort to increase data quality. When we find an inaccuracy in data or incomplete information on a business under our research coverage, we may flag the concern to the service provider and also inform company management of our findings.

Missing data can have an adverse impact on a company's ESG rating. To assist our portfolio businesses, we will occasionally work with them to help effectively disclose the data sought by the research providers. In our experience, emerging market companies are more prone to what we consider to be subpar ESG ratings that can be attributed to incomplete data disclosure. In some cases, these companies need guidance on the most effective formats and channels to convey information to the ESG research providers.

Collaborative Engagement for Better Data

In 2024, we became a member of the Investor Initiative on Human Rights Data (II-HRD). II-HRD is a collaborative initiative in which institutional investors work together to advance the corporate human rights data environment. We believe this will enable investors to better systematically incorporate human rights data into their investment and stewardship decision-making. We joined as a collaborating investor, participating in the working groups focused on MSCI and Sustainalytics, to advocate for better, more comprehensive corporate human rights data and to help drive industry-wide alignment.

Tools and Service Providers Case Study

Business:
Snowflake is a leading global cloud-native data platform.

Key Issue:
Greenhouse gas emissions.

Strategies:
Global Growth, Global Shariah, and Select Growth.

Background

In early 2024, we engaged with MSCI to address a substantial increase in its estimated carbon emissions for Snowflake, which surged from 8,725 metric tons to 404,700 metric tons—a 4,000 percent jump. This spike, primarily in estimated Scope 2 emissions, also drove Snowflake's carbon intensity up nearly 2,700 percent. This jump made Snowflake an extreme outlier compared with similar companies.

Activity and Outcome

MSCI attributed the change to a 2023 Global Industry Classification Standard (GICS) update, which reclassified Snowflake under "Internet Services & Infrastructure." Simultaneously, MSCI reassigned Snowflake's Sustainable Industry Classification System (SICS) category to "Cloud Computing Services." Since Snowflake does not disclose the greenhouse gases it is responsible for emitting, MSCI relied on an industry segment estimation model, which was heavily influenced by these classification shifts.

However, we identified multiple issues with MSCI's estimation methodology. Snowflake's estimated emissions vastly exceed those of its peers and data center operators. We also noted that other ESG data providers estimated significantly lower emissions for Snowflake. Additionally, we believe a significant portion of the emissions MSCI attributes to Snowflake should fall under the Scope 3 category since Snowflake operates on third-party cloud infrastructure.

We urged MSCI to reassess its classification and estimation approach, highlighting the need to more accurately represent Snowflake's carbon footprint. Although we believe disclosure from Snowflake would remedy this issue, we will continue to monitor developments from MSCI for improvements in overall data integrity.

Appendix

UK Stewardship Code Principles Content Map

Section	UK Stewardship Code Principle
Who We Are	**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.
Who We Serve	**Principle 6:** Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.
Oversight	**Principle 2:** Signatories' governance, resources and incentives support stewardship.
Approach to ESG Integration	**Principle 7:** Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.
Promoting Well-Functioning Markets	**Principle 4:** Signatories identify and respond to market-wide and systemic risks to promote a well- functioning financial system. **Principle 10:** Signatories, where necessary, participate in collaborative engagement to influence issuers.
Active Ownership	**Principle 9:** Signatories engage with issuers to maintain or enhance the value of assets. **Principle 11:** Signatories, where necessary, escalate stewardship activities to influence issuers. **Principle 12:** Signatories actively exercise their rights and responsibilities.
Accountability	**Principle 3:** Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first. **Principle 5:** Signatories review their policies, assure their processes and assess the effectiveness of their activities.
Tools and Service Providers	**Principle 8:** Signatories monitor and hold to account managers and/or service providers.

Policies

ESG Policy Statement

Proxy Voting Policy and Procedures

Engagement Policy

Modern Slavery Act Annual Transparency Statement

Vendor Code of Conduct

ESG Principles

Our core stewardship team.

Core Stewardship Team

Karin Riechenberg, Director of Stewardship

Ashley Patton, Stewardship Analyst

Christopher Jenkins, Sr. Proxy Specialist

Saeyeon Kwon, Research Associate, Stewardship

Amir Reda, Portfolio Specialist, Stewardship

Disclosures

The views expressed are the opinion of Sands Capital and are not intended as a forecast, a guarantee of future results, investment recommendations, or an offer to buy or sell any securities. The views expressed were current as of the date indicated and are subject to change. This material may contain forward-looking statements, which are subject to uncertainty and contingencies outside of Sands Capital's control. All investments are subject to market risk, including the possible loss of principal. Readers should not place undue reliance upon these forward- looking statements. There is no guarantee that Sands Capital will meet its stated goals. Past performance is not indicative of future results. A company's fundamentals or earnings growth is no guarantee that its share price will increase. The specific securities identified and described do not represent all the securities purchased, sold, or recommended for advisory clients. There is no assurance that any securities discussed will remain in the portfolio or that securities sold have not been repurchased. You should not assume that any investment is or will be profitable. Company logos and website images are used for illustrative purposes only and were obtained directly from the company websites. Company logos and website images are trademarks or registered trademarks of their respective owners and use of a logo does not imply any connection between Sands Capital and the company.

As part of our ongoing research, Sands Capital regularly engages with the management teams and, if appropriate, board members of portfolio businesses to better understand each business's long-term strategic vision and management of risks and opportunities, including those pertaining to environmental, social, and governance (ESG) matters. Sands Capital's engagement with management teams and board members does not involve any direct or indirect attempt to exert pressure to implement specific measures, change policies, or otherwise influence control over the issuer. The companies illustrated represent a subset of current holdings in the Sands Capital portfolios and were selected by the author on an objective basis to illustrate the views expressed in the Commentary. These examples were selected based on the recent date of the engagements and topics discussed. The assessment of each business is based on factors that we believe are material to the long-term investment case. To receive a complete list of company engagements for the prior twelve months please contact a member of the Client Relations Team at 703-562-4000.

As of December 31, 2024, Ajinomoto, Alphabet, Amazon, Apollo Hospitals, Avenue Supermarts, Britannia, BYD, Cloudflare, Contemporary Amperex Technology, Dexcom, Dino Polska, Entegris, Foshan Haitian Flavoring, Haidilao, International Container, iRhythm, Localiza, MercadoLibre, Meta Platforms, Microsoft, Nike, Nu Holdings, Reliance Industries, Roblox, ServiceNow, Sika, Snowflake, Taiwan Semiconductor, Texas Instruments, Waste Connections, and Zalando were holdings in Sands Capital strategies. As of December 31, 2024, Sands Capital had closed all positions in Americana Restaurants within its flagship funds.

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Risks Associated with Sands Capital's Approach to ESG: Application of Sands Capital's ESG process may affect the Fund's exposure to certain issuers, sectors, regions, and countries and may affect the Fund's performance depending on whether certain investments are in or out of favor. Sands Capital's ESG process (including adherence to any exclusion criteria) may result in the Fund forgoing opportunities to buy certain securities when it might otherwise be advantageous to do so or selling securities for ESG reasons when it might be otherwise disadvantageous for it to do so. As a result, the Fund's performance may at times be better or worse than the performance of funds that do not use ESG or sustainability criteria. There are significant differences in interpretations of what it means for an issuer to have positive ESG factors. The portfolio decisions Sands Capital makes may differ with other investors' or advisers' views. Socially responsible norms differ by country and region, and an issuer's ESG factors or Sands Capital's assessment of such may change over time. Sands Capital's assessment of a company's ESG factors could vary over time to reflect changes in a company's performance, which could mean that a company could move from being an investment of the Fund to being divested due to ESG concerns, or conversely change from being previously considered not suitable for investment, to becoming investable. Where companies are subsequently considered not investable for ESG reasons, there may be a delay such that the Fund is temporarily invested in such companies as Sands Capital seeks to execute the transactions in an orderly manner to minimize the impact on the Fund. When conducting its ESG process (including compiling and maintaining any exclusion list), Sands Capital will rely on data obtained through voluntary or third-party reporting that may be incomplete, inaccurate, estimated, or unavailable, which could cause Sands Capital to incorrectly assess an issuer's business practices with respect to ESG or to incorrectly include or exclude an issuer on or from any exclusion list. ESG data from data providers used by Sands Capital often lacks standardization, consistency, and transparency, and for certain issuers and guarantors, such data, including ESG ratings and scores, may not be available, complete or accurate or may be estimated.

Notice for non-US Investors.

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